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The Commonwealth of Massachusetts, Auditor's dept.

DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

FOR THE

FISCAL YEAR ENDING JUNE 30, 1945



THOMAS J. BUCKLEY
STATE AUDITOR

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DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

For the

FISCAL YEAR ENDING JUNE 30, 1945

I have the honor to submit the Annual Report of the Department of the Auditor for the fiscal period, July 1, 1944 to June 30, 1945. The statutory provisions of the General Laws which pertain to the Department of the Auditor for the Commonwealth are as follows:

"The department of the state auditor shall annually make a careful audit of the accounts of all departments, offices, commissions, institutions and activities of the commonwealth, including those of the income tax division of the department of corporations and taxation, and for said purpose the authorized officers and employees of said department of the state auditor shall have access to such accounts at reasonable times and said department may require the production of books, documents, and vouchers, except tax returns, relating to any matter within the scope of such audit. The accounts of the last named department shall be subject at any time to such examination as the governor and council or the general court may order. Said department shall comply with any written regulations, consistent with law, relative to its duties made by the governor and council. This section shall not apply to the accounts of state officers which the director of accounts of the department of corporations and taxation is required by law to examine. The department of the state auditor shall keep no books or records except records of audits made by it, and its annual report shall relate only to such audits."

All requirements of law as relating to the duties and functions of the State Auditor have been carefully complied with for the period covered by this report.

Personnel: Since my last report to the General Court, Mr. William A. Connolly, who had been employed in this department from March 9, 1931, passed away on December 22, 1944.

During the year just ended, the General Court approved my budget to include eight additional junior accountants. With the consent of the Division of Personnel, I was given the authority to reallocate one semi-senior accountant position to that of senior accountant; one junior clerk to a senior clerk, and a junior messenger to a junior clerk.

At the present time, Mr. Peter T. McMurray, a semi-senior accountant is functioning as a military substitute to fill the vacancy of Senior Accountant John P. Harrington, now serving in the United States Army.

Extension of Duties: An examination of the annual reports filed during the past several years by previous State Auditors will show that in every instance my predecessors have been consistent in their belief that the Department of the State Auditor lacks the statutory powers necessary for the proper operation of the office. It has also been argued that the State Auditor should be divorced of all administrative duties and that as an elected officer, he should be responsible only to the electorate, and be free to criticize the financial operations of the Commonwealth. That is a fairly effective argument but it does not work out in actual practice. In 1923, the authority of the State Auditor to install accounting methods was transferred to the State Comptroller and as a result the Auditor has been forced to depend almost entirely upon the public press and public opinion to enforce his recommendations. On larger and more important issues, this method has been fairly effective. On small or more complex issues, we have not found it desirable to use this approach to the problem, and as the result, in numerous instances examinations of the audit reports will disclose that the same recommendations have been repeated annually with nothing done by the depart-

ment concerned to correct the situation. It is very definitely not sensible administration to have this condition exist, and with this in mind I presented to your honorable body, during the last annual session, House Bill No. 1492, which was an act placing the Comptroller's Bureau under the jurisdiction of the State Auditor. This bill reads as follows:

"The Comptroller's Bureau of the commission on administration and finance is hereby transferred to the department of the state auditor and shall hereafter be under the jurisdiction of said state auditor."

The measure was referred to your next session by a vote in the House of Representatives of 92-22 on April 10, 1945.

It is repeated that this desired legislation is a perfectly logical step and not an unreasonable request, and the transfer of these functions will not detract one iota from the prestige of the Commission on Administration and Finance nor will it interfere with the other functions of the Commission, but it will, I assure you, materially add to the effectiveness of the Auditor's Department.

Boston Elevated Railway Audit: I desire at this time to call your attention to the fact that the State Treasury has paid out over a period of 15 years on behalf of the cities and towns in the Metropolitan District the sum of \$18,633,379.20, this amount representing operating deficits of the Boston Elevated Railway. In addition to the foregoing amount, there is an unpaid balance of \$3,652,574.17, making an aggregate of \$22,285,953.37.

In connection with the foregoing, attention is again called to the fact that no state agency has ever made an independent audit of the accounts of the Boston Elevated Railway in all the years in which these deficits have appeared.

As you are perhaps aware, I made an attempt some years ago to make an audit of the accounts of the Boston Elevated Railway, but was refused access to the books and records by the public trustees of that agency. At my own personal expense, I carried the matter to the State Supreme Court where I learned that an audit of these accounts could only be accomplished if legislation was adopted granting me the necessary power.

Following this suggestion, I brought before the next session of the legislature, House Bill No. 738, which reads as follows:

"AN ACT REQUIRING THE DEPARTMENT OF THE STATE AUDITOR
TO AUDIT THE BOOKS OF THE BOSTON ELEVATED RAILWAY COMPANY

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

"Section three of chapter three hundred and thirty-three of the acts of nineteen hundred and thirty-one is hereby amended by inserting after the word "public" in the twenty-ninth line the following new sentence:— The department of the state auditor shall annually make a careful audit of all accounts of the trustees of the Boston Elevated Railway Company including all departments and offices under their operation, supervision and control, and as a part of said audit the department of the state auditor shall make such audit as he may deem advisable of the operations of the Boston Elevated Railway Company and shall each year make a report in writing to the governor, executive council and the general court of its findings together with any recommendations he may deem necessary to make."

This bill was given hearings before your Committee on Metropolitan Affairs and the Committee on Ways and Means. These committees heard the arguments at the public hearings and finally favorably reported the bill to the House of Representatives. The report was accepted by your body on June 20, 1945, was ordered to a third reading on June 21, 1945, by a vote of 81 to 35, and was passed to be engrossed on June 22, 1945, by a voice vote.

The bill was referred to the Senate for concurrence. On July 2, 1945, the bill was defeated on a roll call vote 17 to 16.

I regard this legislation as being essential for the proper control of millions of dollars which have been and will undoubtedly continue to be assessed upon the taxpayers of the various cities and towns of the Metropolitan District, now served by the Boston Elevated Railway.

General: Individual copies of audit reports for all state activities have been submitted to His Excellency the Governor, the Speaker of the House, the President of the Senate, the Chairman of the Commission on Administration and Finance, the Comptroller and the State Librarian. Copies also have been forwarded to the administrative head of each institution or agency concerned, the chaplains, medical boards, and trustees of the institutions and the Commissioner of each department. These reports have been released as promptly as possible following the completion of examinations.

Summary of Audits Completed: The following listed audits have been made since my last report to the Legislature:

Audits for the 1945 Fiscal Year

<i>Department or Institution</i>	<i>From</i>	<i>To</i>	<i>Page</i>
GOVERNOR AND COUNCIL:			
Military Division of the Executive Department	Jan. 5, 1944	July 20, 1944	5
Alcoholic Beverages Control Commission	Aug. 16, 1943	Jan. 9, 1945	6
Armory Commission	Jan. 5, 1944	July 20, 1944	
Art Commission for the Commonwealth	Sept. 9, 1943	Sept. 21, 1944	
Ballot Law Commission	Sept. 9, 1943	Sept. 21, 1944	
Commission on Administration and Finance	June 30, 1943	June 30, 1944	6-9
Commission on Uniform State Laws	Sept. 9, 1943	Sept. 21, 1944	
Committee on Post-War Readjustment	Apr. 27, 1944	Feb. 23, 1945	
Massachusetts Aeronautics Commission	Apr. 17, 1944	Nov. 28, 1944	9
Military Reservation Commission	Jan. 5, 1944	July 20, 1944	
Milk Regulation Board	Jan. 17, 1944	Aug. 28, 1944	35
Public Bequest Commission	Sept. 10, 1943	Sept. 22, 1944	9
Governor's Committee on Public Safety	June 1, 1944	Apr. 5, 1945	41
State Racing Commission	Nov. 16, 1943	Nov. 28, 1944	9
Soldiers' Home in Massachusetts	Aug. 11, 1943	Aug. 9, 1944	10
Commission on Veterans' Aid and Pensions	July 9, 1943	July 25, 1944	
State Library	Sept. 7, 1943	Dec. 12, 1944	6
State Planning Board	Apr. 5, 1944	Dec. 22, 1944	
State Superintendent of Buildings	Sept. 22, 1943	Jan. 8, 1945	11
War Emergency Fund	July 1, 1944	June 30, 1945	
SECRETARY OF THE COMMONWEALTH:			
Commission on Interstate Co-operation	Nov. 22, 1943	Nov. 13, 1944	11
	Nov. 22, 1943	Nov. 13, 1944	
TREASURER AND RECEIVER GENERAL:			
Emergency Finance Board	Feb. 29, 1944	Jan. 17, 1945	
Emergency Public Works Commission	June 30, 1943	June 30, 1944	
State Board of Retirement	June 30, 1943	Jan. 15, 1945	
	Dec. 31, 1943	Dec. 31, 1944	12
ATTORNEY GENERAL			
	May 31, 1944	Mar. 6, 1945	13-14
DEPARTMENT OF CIVIL SERVICE AND REGISTRATION:			
Architects, Board of Registration of	Apr. 10, 1944	Mar. 13, 1945	14-15
Barbers, Board of Registration of	Nov. 15, 1943	Dec. 27, 1944	
Certified Public Accountants, Board of Registration of	Apr. 20, 1944	May 22, 1945	15
Chiropody, Board of Registration in	Jan. 4, 1944	Feb. 19, 1945	15
Dental Examiners, Board of	Sept. 20, 1943	Jan. 9, 1945	
Electricians, State Examiners of	Oct. 25, 1943	Feb. 28, 1945	
Embalming and Funeral Directing, Board of Registration in	July 27, 1943	Aug. 24, 1944	
Professional Engineers and Land Surveyors, Board of Registration of	Sept. 13, 1943	Feb. 13, 1945	
Hairdressers, Board of Registration of	Nov. 15, 1943	Jan. 15, 1945	15
Medicine, Board of Registration in	Oct. 18, 1943	Aug. 21, 1944	
Nursing, Board of Registration in	Mar. 10, 1944	Mar. 29, 1945	16
Optometry, Board of Registration in	Mar. 10, 1944	Mar. 29, 1945	
Pharmacy, Board of Registration in	Nov. 3, 1943	Feb. 21, 1945	
Plumbers, Board of Registration of	Sept. 27, 1943	Dec. 5, 1944	
Veterinary Medicine, Board of Registration in	Nov. 24, 1943	Nov. 30, 1944	
	Sept. 23, 1943	Dec. 13, 1944	
DEPARTMENT OF CORPORATIONS AND TAXATION:			
General Department	Nov. 30, 1943	Nov. 30, 1944	16-17
Appellate Tax Board	Aug. 17, 1943	Mar. 19, 1945	
Division of Accounts	Feb. 10, 1944	Apr. 27, 1945	17
DEPARTMENT OF EDUCATION:			
General Department	May 8, 1944	Dec. 13, 1944	17-20
Teachers' Retirement Board	Dec. 31, 1943	Dec. 31, 1944	20-21
Division of the Blind	Dec. 14, 1943	Dec. 21, 1944	21
Massachusetts Maritime Academy	May 29, 1944	June 11, 1945	21
State Teachers College at Bridgewater	Feb. 24, 1944	Oct. 16, 1944	
State Teachers College at Fitchburg	May 1, 1944	Apr. 5, 1945	
State Teachers College at Framingham	Dec. 8, 1943	July 6, 1944	

<i>Department or Institution</i>	<i>From</i>	<i>To</i>	<i>Page</i>
DEPARTMENT OF EDUCATION:			
State Teachers College at Hyannis	June 14, 1944	June 30, 1945	
State Teachers College at Lowell	Dec. 28, 1943	Jan. 2, 1945	
State Teachers College at North Adams	Feb. 2, 1944	June 25, 1945	
State Teachers College at Salem	Jan. 4, 1944	Mar. 7, 1945	21
State Teachers College at Westfield	Sept. 29, 1943	Nov. 9, 1944	
State Teachers College at Worcester	Nov. 16, 1943	Dec. 19, 1944	
Massachusetts School of Art	May 17, 1944	May 14, 1945	
Massachusetts State College	Oct. 4, 1943	Oct. 2, 1944	21-22
Bradford Durfee Textile School	Dec. 15, 1943	July 20, 1944	23
Lowell Textile Institute	Nov. 29, 1943	Jan. 8, 1945	
New Bedford Textile School	Nov. 23, 1943	July 11, 1944	
DEPARTMENT OF PUBLIC WORKS:			
General Department	Nov. 1, 1943	Feb. 1, 1945	24
Registry of Motor Vehicles	Apr. 11, 1944	Apr. 23, 1945	24-25
DEPARTMENT OF PUBLIC HEALTH:			
General Department	June 12, 1944	Oct. 26, 1944	25
Lakeville State Sanatorium	May 10, 1944	May 8, 1945	25
North Reading State Sanatorium	Jan. 19, 1944	Sept. 25, 1944	25
Rutland State Sanatorium	Nov. 22, 1943	Feb. 5, 1945	25
Westfield State Sanatorium	Sept. 29, 1943	Sept. 28, 1944	25
Pondville Cancer Hospital	Nov. 8, 1943	Mar. 1, 1945	
DEPARTMENT OF PUBLIC WELFARE:			
General Department	Feb. 2, 1944	May 1, 1945	26-28
Division of Juvenile Training	Sept. 13, 1943	July 10, 1944	28-29
Industrial School for Boys	Feb. 7, 1944	June 4, 1945	
Industrial School for Girls	Jan. 24, 1944	Mar. 20, 1945	29
Lyman School for Boys	July 20, 1943	July 3, 1944	29
Massachusetts Hospital School	Dec. 1, 1943	Nov. 21, 1944	29
Tewksbury State Hospital and Infirmary	Jan. 12, 1944	Apr. 2, 1945	29-30
DEPARTMENT OF MENTAL HEALTH:			
General Department	July 1, 1943	Sept. 6, 1944	31
Belchertown State School	Sept. 28, 1943	Oct. 5, 1944	31
Boston Psychopathic Hospital	Jan. 3, 1944	Dec. 18, 1944	31-32
Boston State Hospital	Aug. 10, 1943	June 7, 1945	32
Danvers State Hospital	July 19, 1943	July 5, 1944	
Foxborough State Hospital	Dec. 7, 1943	June 5, 1945	32
Gardner State Hospital	Apr. 3, 1944	Apr. 3, 1945	32
Grafton State Hospital	Aug. 9, 1943	Aug. 16, 1944	
Medfield State Hospital	Feb. 9, 1944	June 6, 1945	32
Metropolitan State Hospital	June 1, 1944	May 9, 1945	
Monson State Hospital	July 6, 1943	Sept. 29, 1944	32
Northampton State Hospital	Sept. 30, 1943	Apr. 11, 1945	
Taunton State Hospital	Jan. 10, 1944	May 28, 1945	33
Walter E. Fernald State School	Apr. 13, 1944	Feb. 26, 1945	33-34
Westborough State Hospital	Mar. 7, 1944	May 21, 1945	34-35
Worcester State Hospital	Sept. 14, 1943	Oct. 3, 1944	
Wrentham State School	May 15, 1944	May 24, 1945	
DEPARTMENT OF AGRICULTURE:			
General Department	Jan. 17, 1944	Aug. 28, 1944	35
Division of Livestock Disease Control	Jan. 17, 1944	Sept. 21, 1944	
Division of Milk Control	Oct. 11, 1943	Jan. 2, 1945	35-40
DEPARTMENT OF CONSERVATION	Jan. 25, 1944	Mar. 14, 1945	40-41
DEPARTMENT OF PUBLIC SAFETY	Jan. 13, 1944	Dec. 19, 1944	41
DEPARTMENT OF LABOR AND INDUSTRIES:			
General Department	Apr. 3, 1944	May 7, 1945	41
Labor Relations Commission	Apr. 3, 1944	May 7, 1945	
Division of Employment Security	Apr. 24, 1944	June 1, 1945	
DEPARTMENT OF INDUSTRIAL ACCIDENTS	Mar. 20, 1944	Feb. 28, 1945	41
DEPARTMENT OF PUBLIC UTILITIES	Aug. 10, 1943	Aug. 2, 1944	42-43
DEPARTMENT OF BANKING AND INSURANCE:			
Division of Banks	Jan. 7, 1944	Dec. 19, 1944	43
Division of Insurance	Oct. 1, 1943	Oct. 31, 1944	
Division of Savings Bank Life Insurance	Dec. 13, 1943	Sept. 8, 1944	
Supervisor of Loan Agencies	Dec. 28, 1943	Nov. 21, 1944	
DEPARTMENT OF CORRECTION:			
General Department	Apr. 10, 1944	Mar. 21, 1945	
Massachusetts Reformatory	Sept. 13, 1943	Mar. 20, 1945	43
Reformatory for Women	July 7, 1943	Dec. 29, 1944	43
State Farm	July 1, 1943	May 31, 1945	43-44
State Prison	Aug. 2, 1943	July 26, 1944	44-45
State Prison Colony	July 12, 1943	June 4, 1945	
METROPOLITAN DISTRICT COMMISSION	Aug. 16, 1943	Oct. 24, 1944	45
METROPOLITAN DISTRICT WATER SUPPLY COMMISSION	Mar. 23, 1944	Jan. 26, 1945	45
LEGISLATURE:			
Sergeant-at-Arms	Dec. 27, 1943	Dec. 18, 1944	45
CLERK OF THE SUPREME JUDICIAL COURT FOR THE COMMONWEALTH			
	Apr. 4, 1944	Jan. 15, 1945	

General: Comments of the State Auditor which follow in this report have reference to exceptions or recommendations made in the course of examination during the fiscal year 1944-1945. Generally speaking, and aside from other matter contained in the audit reports, these brief comments will reflect the attitude and opinion of the State Auditor with respect to needed changes and adjustments or conditions requiring the attention of other interested officials of the Commonwealth. These comments are arranged in the order of listing as appearing on pages _____. For the purpose of this report, several of these statements have been condensed.

GOVERNOR AND COUNCIL
MILITARY DIVISION OF THE EXECUTIVE DEPARTMENT

Armory Rentals: Previous audit reports have included a recommendation that the Comptroller's Bureau be requested to provide a serially numbered stub permit form for use in connection with armory rentals. It was noted that this suggestion has not been adopted, but it was understood that it is now being considered and will probably be put into effect shortly.

Rifle Range, Camp Curtis Guild: It was noted that for the 1944 year the provisions of Chapter 291 of the Acts of 1945 were not met and an operative loss of 2.41% was indicated.

Contracts: It was noted that bidders on contracts were not required to file with their bids a certified check for a certain per cent of the contract bid. It was also noted that successful bidders were not required to file (1) a bond for the performance of the contracts (2) a certificate showing that the workmen are covered by Workmen's Compensation Insurance. It was further noted that on the completion of the contract the total contract price was paid in full and that no amount is withheld. It was understood that the question of further handling of contracts is under consideration and that probably a formal contract form will be adopted in the near future.

Camp Chase: It was noted that a bill from a contractor dated June 30, 1944 for repairing old plumbing and installing new plumbing in the amount of \$3,160.20 has not been warranted for payment to August 1, 1944. In this connection attention is called to Chapter 547 of the Acts of 1941, which relates to inviting bids on certain state contracts and which apparently requires the securing of bids if the amount involved is one thousand dollars or more. No record could be found in this instance of bids for the contracts made.

State-Owned Property and Supplies at Commonwealth Depot: When the State Guard came into being in 1941 there were no Federal Funds available, consequently, it was outfitted from State appropriations. Later the Federal Government shipped into the State uniforms and other equipment for the use of the State Guard. On date of audit there was a certain amount of new unissued state-owned supplies and equipment stored at the Commonwealth Depot for which the State Guard Property Officer is responsible. It was understood that there are card records showing units, but not values, kept at the Commonwealth Depot on these state-owned items. These items were not inventoried as it was understood from the State Guard Property Officer that the employees at the Commonwealth Depot were very busy shipping out federal-owned supplies to the State Guard which was in training at Camp Chase and also in getting back from the units the state-owned property previously issued to them. It was also understood from the State Guard Property Officer that within a few months he will take a complete physical inventory and bring the card records into agreement. Apparently it is the intention to sell as much of the state-owned property and equipment as possible and to date substantial quantities of "green cloth" have been sold.

It is suggested that when the physical inventory is taken, it be valued and a control account be set up in the general ledger.

ALCOHOLIC BEVERAGES CONTROL COMMISSION

Recording of Excise Taxes Collected: It has been the custom in the past for the Commissioner of Corporations and Taxation through the Income Tax Division to report to the Alcoholic Beverages Commission the amount of excise taxes collected. These figures are then entered in the general ledger of the Alcoholic Beverages Commission by journal entry and incorporated in the monthly financial report. The examiner is informed that on order of the Commissioner of Corporations and Taxation, the Income Tax Division is no longer to furnish this information. A letter from the Alcoholic Beverages Control Commission to the Commissioner of Corporations and Taxation under date of October 6, 1944 brought the desired information for the months of July, August and September 1944. Since that time no further data has been received. It is recommended that the Comptroller determine on the books of which agency the excise tax receipts should be shown.

COMMISSION ON ADMINISTRATION AND FINANCE

Meetings of the Commission: Apparently there is no mention in the General Laws of the minutes of meetings of the commission and it is further noted that the commission does not keep minutes of its meetings.

Bookkeeping Records for Commission's Activities: This commission keeps no separate books of records for its own accounts. Entries for their accounts are made directly on the books of the Commonwealth. It is again recommended that at least a cash book be installed in which all cash transactions originating in the commission may be properly recorded.

Supply Room — Old Accounts Receivable: Attention is called to the unpaid accounts totaling \$847.76 representing items sold prior to December 1, 1942. Many of these items have remained unpaid because there has been no money available in the particular appropriation and the department concerned requested, but did not receive, a deficiency appropriation. It is suggested that the commission find some way to clear these accounts.

Revision of the Accounting Systems in the Department of Public Works and the Metropolitan District Commission: Item 2940-01 of Chapter 419 of the Acts of 1941 reads as follows:

"Service of the Commission on Administration and Finance

"For expenses incidental to the revision of the accounting systems in the department of public works and the metropolitan district commission, under the direction of the commission on administration and finance \$25,000.00."

The previous audit report treated in considerable detail the transactions under this appropriation and stated that the Public Administration Service of Chicago, Illinois, was employed to make the revision of the accounting system. The previous audit report also contained copies of the correspondence relating to the employment of the Public Administration Service which indicated that the work was done on a per diem basis.

The previous audit report showed in detail the expenditures made under this appropriation to June 27, 1944 which included personal services and transportation expenses through April 1944 and amounted in total to:

Personal Services	\$24,705.00
Traveling Expenses	1,192.47
Rental of Machines	904.11
	<hr/>
	\$26,801.58

From June 27, 1944 to March 1, 1945 invoices totaling \$3,229.28 from the Public Administration Service relating to the installation at the Highways Section of the Department of Public Works were paid. These invoices covered personal services and transportation expenses for the following months:

				Personal Services	Transporta- tion Expenses	Total
May 1944	W. P. Nelson	15 Days @	\$30.00	\$450.00	\$ 8.11	\$ 458.11
June 1944	W. P. Nelson	6 Days @	30.00	180.00	15.10	195.10
July 1944	W. P. Nelson	17 Days @	30.00	510.00	5.13	515.13
Aug. 1944	W. P. Nelson	12 Days @	30.00	360.00	13.74	373.74
Sept. 1944	W. P. Nelson	5 Days @	30.00	150.00	6.67	156.67
Oct. 1944	W. P. Nelson	11 Days @	30.00	330.00	6.92	
Oct. 1944	D. Mac Pherson	45 Hrs. @	1.00	45.00		381.92
Nov. 1944	W. P. Nelson	22 Days @	30.00	660.00	6.67	
Nov. 1944	D. Mac Pherson	129 Hrs. @	1.00	129.00		795.67
Dec. 1944	W. P. Nelson	7½ Days @	30.00	225.00	47.94	
Dec. 1944	D. Mac Pherson	80 Hrs. @	1.00	80.00		352.94
				<u>\$3,119.00</u>	<u>\$110.28</u>	<u>\$3,229.28</u>

The following statement shows a summary to the transactions in this account to March 1, 1945:

Appropriation 1941						\$25,000.00
Transfers from the War Emergency Fund:						
November 30, 1943					\$ 750.00	
January 19, 1944					750.00	
May 31, 1944					1,500.00	
December 29, 1944					2,700.00	5,700.00
						<u>\$30,700.00</u>
Payments:						
To Public Administration Service:						
				Personal Services	Transportation Expenses	
1942				\$19,115.00	\$ 556.54	
1943				4,030.00	212.79	
1944				2,190.00	446.35	
1945 to March 1				2,489.00	87.07	
				<u>\$27,824.00</u>	<u>\$1,302.75</u>	\$29,126.75
For rental of machines						904.11
						<u>\$30,030.86</u>
Balance March 1, 1945:						
Allotted					\$ 639.06	
Unallotted					30.08	669.14
						<u>\$30,700.00</u>

Referring to the progress of the installation of the accounting system the previous audit report stated:

"On July 1, 1944 the Department of Public Works was visited and the progress of the installation discussed with Mr. Nelson of the Public Administration Service who stated that the installation was virtually completed and that the question of inventory control was in process of being straightened out.

"It was noted that to July 1, 1944 the installation covered only the highways sections of the Department of Public Works. It was understood from Mr. Nelson of the Public Administration Service that certain surveys were made of the accounts of the Metropolitan District Commission, but that no attempt was made to revise the accounts because of a lack of suitable machine equipment."

During the current audit the matter of the progress of the installation of the accounting system at the Highways Section of the Department of Public Works was discussed with the Chairman of the Commission on Administration and Finance who stated that it was completed in December 1944 and that so far as he knew was operating satisfactorily. He also stated that all bills had been paid except a charge for 150 copies of a manual at \$4.00 a copy.

Apparently no further work has been done on the revision of the accounting system at the Metropolitan District Commission.

Copies of letters relating to the completion of the installation and the purchase of the manuals follow:

PUBLIC ADMINISTRATION SERVICE
1313 EAST SIXTIETH STREET, CHICAGO, ILLINOIS

December 13, 1944

Mr. Paul W. Foster, *Chairman*
Commission on Administration and Finance
State House
Boston, Massachusetts

Dear Mr. Foster:

Enclosed are our bills for the months of November and December. These will be the last you will receive for personal services on the public works accounting installation.

The copy for the accounting manual is now in the hands of our publications division and we will be able to furnish you with the completed manual about the first of February. When I last talked to Mr. Fair and Mr. Houghton, they were in doubt as to just how many copies the State would need. I have asked Mr. Fair to check their requirements and to discuss the matter with you. I find that we can supply you with the original estimate of 100 copies at a price of \$5.00 per copy including a flexible imitation leather binder. If you wish to purchase 150 copies or more the price will be \$4.00 per copy. I would appreciate your letting us know how many you desire so that we may proceed with the work.

I have enjoyed our association during the past two years, and hope that the accounting system will continue to prove its value to the State.

Very truly yours,
W. PORTER NELSON

February 8, 1945

PUBLIC ADMINISTRATION SERVICE
1313 East Sixtieth Street
Chicago, 37, Illinois

Gentlemen:

My attention has been directed to your letter of December 13 signed by Mr. Porter Nelson in regard to the number of copies of the accounting manual in the State Department of Public Works.

It has been decided that the Commonwealth will purchase one hundred and fifty copies at the agreed price of \$4.00 per copy. These may be forwarded in one shipment to Mr. Fred Fair, Business Agent, Department of Public Works, 100 Nashua Street, Boston, Mass.

Very sincerely,
PAUL W. FOSTER,
Chairman

Referring to the installation of the accounting system at the Highways Section of the Department of Public Works, the audit report on the examination of the accounts of the Department of Public Works to February 2, 1945, states:

"Highway Division—Revision of Accounting System Appropriation Item 2940-01 of Chapter 419 of the Acts of 1941 reads:

"For expenses incidental to the revision of the accounting systems in the department of public works and the metropolitan district commission under the direction of the commission on administration and finance \$25,000.00."

In this connection it was noted that under the provisions of Chapter 96 of the Resolves of the Massachusetts Legislature of 1941, the Commissioner of Corporations and Taxation, the Chairman of the Commission on Administration and Finance and the Chairman of the State Racing Commission were authorized and directed to make an investigation and study of revenue from horse and dog racing.

After a study of the history and operation of pari-mutuel wagering at horse and dog racing meetings both within Massachusetts and in other states, the Commission included among its recommendations in House Bill 1281 an item of legislation for (an Act providing for the disposition of the sums held for payment of outstanding pari-mutuel tickets for persons licensed to conduct horse and dog racing meetings).

The Committee on Legal Affairs to whom was referred the report of this special commission reported House Bill 1547 and the bill was referred to the Massachusetts General Court by the House of Representatives.

Bonding of Employees: It was noted that none of the employees of this commission are bonded.

SOLDIERS' HOME IN MASSACHUSETTS

Acting Treasurer: It was noted that as yet no treasurer has been appointed but a principal clerk has been designated acting treasurer with authority to sign checks.

Accounts Receivable: The charges to accounts receivable are entered in the general ledger until the cash has been received.

Custody of the Legacy Fund and of the Effects Accounts: As was stated in several previous audit reports the custody of these two trust funds was given to the Old Colony Trust Company in Boston on October 23, 1935 in accordance with a letter of instructions dated October 23, 1935 from the Chairman of the Board of Trustees of the Soldiers' Home, and it was authorized by a vote of the trustees of the Soldiers' Home on date of November 19, 1935. In reference to the management of personal property of the Soldiers' Home, Section 41 of Chapter 6 of the Tercentenary Edition of the General Laws as amended by Chapter 452 of the Acts of 1931 reads as follows:

"Section 41. Said board of trustees shall have the management and control of said home and all property, real and personal, belonging to the commonwealth and occupied or used by said home, and shall hold and administer in trust the property included in the 'legacy fund' and the 'effect accounts', if and when the transfer thereof to the commonwealth is effected pursuant to a decree of a court of competent jurisdiction, and in accordance with the terms and conditions imposed by such decree. In the management and control of said home as aforesaid, said board of trustees shall have the same powers and perform the same duties as are vested and imposed in the trustees of state hospitals under the provisions of chapter one hundred and twenty-three, so far as applicable."

Previous audit reports have suggested that the propriety of the Old Colony Trust Company having custody of the trust funds be referred to the Attorney General for an opinion. Under date of June 15, 1943, the Chairman of the Board of Trustees wrote to the Attorney General for a legal opinion, which to date has not been returned.

Deceased Members Funds: Included in the members personal funds are balances of 3 deceased members totaling \$346.39. Apparently there is no legislation covering the handling or disposition of funds of deceased members. It is recommended that the Attorney General be requested to rule on this matter.

STATE LIBRARY

Bookkeeping: Attention is called to the fact that there is no formal bookkeeping or accounts system in use.

STATE SUPERINTENDENT OF BUILDINGS

Assignment of Rooms in the State House and Elsewhere: Section 10 of Chapter 8 of the Tercentenary Edition of the General Laws, as amended by Section 4 of Chapter 249 of the Acts of 1938, and Chapter 440 of the Acts of 1943, referring to the Superintendent of Buildings, states:

"He shall, under the supervision of the governor and council and with the approval of the commission on administration and finance, assign the rooms in the state house and rooms elsewhere used by the commonwealth, and may determine the occupancy thereof in such manner as the public service may require: . . ."

In conformance with the foregoing statute, certain private service enterprises have been allotted rent-free space in the State House.

Lease of Wall on Mount Vernon Street, Boston: This item represents \$1.00 a year due under lease of wall on Mount Vernon Street, Boston, given for 99 years in accordance with Resolve 141 of the Acts and Resolves of 1916. This property was owned by Mr. Thomas J. A. Johnson, deceased. The records of the department show that Mr. George Holland of 209 Washington Street, Boston, is the executor of Mr. Johnson's estate. No payments are recorded since 1937 and it appears from the records of the department that payments on this lease are due from 1936 to 1944, inclusive, or \$9.00. This account has been referred to the Attorney General for settlement.

SECRETARY OF THE COMMONWEALTH

On the date of audit it was noted that there was a certain amount of money in credit which was for a year in suspense. This money was comprised of a few old items for cash in which correspondence was required. In the event that certificates can not be granted money orders and checks are returned to the sender or other refunds are made by the State Treasurer on the basis of schedules. It is recommended that the Comptroller's Bureau install a better process for the handling of cash suspense items.

TREASURER AND RECEIVER GENERAL

Deposits on Bank Statements not Included in Cash Balance, January 17, 1945: Deposits of other state departments appearing on the bank statements on January 17, 1945, which were not included in the cash balance of January 17, 1945 were later traced to entries in the bank ledger.

Middlesex and Boston Street Railway Co. Bonds: In connection with the verification of guaranty deposits it was noted that the \$150,000.00 of 5½% First Mortgage Bonds of the Middlesex and Boston Street Railway Co., deposited by that organization as "Motor Bus License Deposit Funds", which had a due date of January 1, 1942, have been replaced by \$50,000.00 of the Commonwealth of Massachusetts bonds. This was done with the approval of the Department of Public Utilities.

Millville Municipal Finance Loan: On January 17, 1945, there was a balance of \$706.01 in the Millville Municipal Finance Loan, Income Account. This balance represents the excess of interest charged Millville over the amount paid by the Commonwealth. It is suggested that steps be taken to dispose of this balance.

Capital Stock of Closed Bank: Included in the cash balance on deposit in closed bank on January 17, 1945, is the sum of \$2,399.40 represented by capital stock as follows:

Merrimac National Bank	\$2,399.40
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The Commonwealth received 180 shares of capital stock in the Merrimac National Bank, certificate No. 270, at \$13.33 per share, valued at \$2,399.40 for a portion of the balance in the Haverhill Trust Company at the time the affairs of the Haverhill Trust Company were taken over by the Merrimac National Bank.

STATE BOARD OF RETIREMENT

Reconciliation of Cash with State Treasurer: Attention was called to differences totaling \$558.68 between the accounts of the State Treasurer and those of the State Board of Retirement. Suggestions relating to adjustments affecting this amount were made. Included in this amount were certain annuity cancellations for 1940 and 1941 which were not recorded to the credit of the Board of Retirement Fund totaling \$560.14 and it is understood that the budget commissioner will have to obtain an appropriation or other authorized transfer before the State Treasurer can properly record these cancellations of annuity payments on the books.

Loss Due from Commonwealth Accounts: On December 31, 1944, there was a total of \$96,372.54 in this account for 3 previous years. It is understood that the secretary of the board has requested this amount from the General Court.

Due from Commonwealth for Military Leave of Absence: The number of members on military leave of absence as of December 31, 1944, was approximately 1505. Interest only has been credited on each member's original card record on the amount of deposits to his or her credit at the time of leaving for military service.

The secretary of the board has had attached to the member's regular card a second card showing the amount which the Commonwealth may be expected to pay in order to comply with Chapter 708, Acts of 1941, Section 9.

It is estimated that the sum of approximately \$214,000.00 may be necessary to reimburse the members' accounts. The secretary of the board has complied with Chapter 419, Acts of 1943, by requesting a \$100,000.00 appropriation from the legislature and will make a request for further funds in a following year if it is deemed necessary.

Investments: The investment securities are in the custody of the State Treasurer and were examined as of January 19, 1945 in connection with the audit of the State Treasurer. These securities are carried on the books of the State Treasurer at par, in an account entitled State Employees' Annuity Fund.

The records of the State Board of Retirement show the securities in an account entitled investments. Here the securities are carried at the amortized value which is used in establishing rates of interest earnings. An analysis of the board's investment security record book was made. This analysis took into consideration the sales and purchases made during the period under audit and the tracing of changes in the amortized values. This analysis follows:

ANALYSIS OF SECURITIES

January 1, 1944 to December 31, 1944

	Principal Values	Book Values
Values January 1, 1944	\$16,966,450.00	\$17,456,776.95
Purchases	3,170,000.00	3,170,000.00
	<u>\$20,136,450.00</u>	<u>\$20,626,776.95</u>
Sales	\$ 1,215,000.00	\$ 1,215,000.00
Maturities	1,050,250.00	1,050,250.00
Amortization of Premium and/or Discount	—	84,531.31
Values December 31, 1944	17,871,200.00	18,276,995.64
	<u>\$20,136,450.00</u>	<u>\$20,626,776.95</u>

The examination of the investments shows the yield on the investments ranges from .80% to 5%. About 45% or 9 million dollars of securities owned by the board consist of United States bonds on which the yield is about 2%. Mention is made of this because "Interest" as defined in Section 1 of Chapter 32 of the General Laws is creditable to the members' accounts annually at the rate of 3%. There were no securities or interest on securities in default during the audit period.

Accrued interest on December 31, 1944 amounted to \$157,810.63. The gain on sales of certain securities during 1944 amounting to \$480.47 is shown by the Comptroller and Treasurer as part of investment earnings. The board records placed this amount in an account entitled Unearned Premium.

Approval of Investments: An examination of the "Minutes" of the Board meetings does not record approval for the purchases of securities made by the State Treasurer for the benefit of the State Board of Retirement.

Paragraph 2, Section 3 of Chapter 32 of the General Laws as amended by Paragraph 10, Section 5A of Chapter 439, Acts of 1938, requiring this approval, reads as follows:

"The State Treasurer shall have custody of the funds of the system, and, subject to the approval of the board, shall invest and reinvest the same when not required for current disbursements, in accordance with section thirty-eight of chapter twenty-nine . . ."

It is, therefore, recommended that the board act in accordance with the law as it now reads.

Accounts of Deceased and Former Members: The following amounts were held in the members' deposits and interest account on December 31, 1944:

	Deposits	Interest	Total
Accounts of Deceased Members	\$31,808.06	\$10,817.19	\$42,625.25
Accounts of Former Members	33,304.01	9,279.88	42,583.89
	<u>\$65,112.07</u>	<u>\$20,097.07</u>	<u>\$85,209.14</u>

Most of the accounts of deceased members have been paid out since the close of the audit year or are in process of being closed out. Accounts of deceased members prior to January 1, 1939 amount to \$3,314.21.

Accounts of former members show an increase of approximately \$29,423.07 over December 31, 1943. This is due to the board's policy of clearing the active accounts of cards showing no deposits for the previous three years and transferring them to the former members group. Further investigation since January 1, 1945 shows that a considerable number of these members are in military service and the Board of Retirement was not properly notified to this effect by state departments and institutions. Those accounts which are found to properly belong under "Military Leave of Absence" should be transferred to that group. This will then leave many accounts some of which have appeared in the same category for many years.

Previous audit reports have recommended that the board seek legislative authority to transfer these old accounts to general revenue and to that extent reduce the cost to the Commonwealth of operating the board.

Accounts of former members prior to January 1, 1939 amounted to \$6,372.13 as of December 31, 1944.

It is, therefore, recommended again that legislative approval be sought by the board in connection with the foregoing.

ATTORNEY GENERAL

Appropriation Deficiencies: Item 361 of Chapter 495 of the Acts of 1939 provided \$25,000.00 for:

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company, \$25,000.00."

In this connection it was noted that the Department of the Attorney General passed for payment bills totaling \$24,900.52, which were charged against this appropriation in the following years:

1939 fiscal year	\$ 4,318.25
1940 fiscal year	20,582.27
	<u>\$24,900.52</u>

On the date of the previous audit there was a cash balance in this appropriation of \$99.48. As far as could be learned from information available at that time, there were outstanding invoices against this appropriation of \$4,431.62. Chapter 513 of the Acts of 1943 appropriated \$1,023.95 for:

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company."

The unpaid liabilities now remain as follows:

Deficiency April 3, 1943	\$4,431.62
Deficiency Appropriation C. 513, Acts of 1943	1,023.95*
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	\$3,407.67
Cash balance of original appropriation	99.48
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Deficiency as of March 6, 1945	\$3,308.19
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*Of this balance only \$559.72 has been expended to date of audit.

From conversations with an official of the Comptroller's Bureau it was stated that it is anticipated that the above deficiency will be appropriated by the General Court which is now in session.

It is further understood that on the date of the previous audit, April 9, 1943, there were liabilities outstanding for which there were no available funds, as follows:

1940 Appropriation for:

Administration and Other Expenses	\$1,746.82
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It was also noted that the cash balance in this account as of November 30, 1940 was as follows:

1940 Administration and Other Expenses	\$33.30
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It was understood that an effort was made to have the General Court provide funds for the payment of the liabilities under these appropriations, but apparently no funds were provided by the General Court which met during 1943.

Advance Money: In connection with the reconciliation of the advance fund of \$3,500.00 it was noted that items advanced to employees and others prior to the current fiscal year have not been liquidated yet. These items include certain individuals who are no longer connected with this department, and in certain instances the original amounts were advanced to them in 1939. It is again recommended that an effort should be made to collect or clear these older items so that this account will include only those transactions which effect the current fiscal year.

Bonds: It was noted that none of the employees of this department are bonded.

DEPARTMENT OF CIVIL SERVICE AND REGISTRATION DIVISION OF CIVIL SERVICE

Bonds: All entries in the cash book are made by the principal clerk, who also handles the advance money. No one is bonded but the advance fund is practically all the money handled by the division.

Professional and Consulting Services: According to the records of the Department of Civil Service and Registration, it is shown that a sum of \$6,604.62 was expended during the fiscal year 1944 for professional and consulting services. In the normal course of audit an effort would have been made to check this element, but the work was not done because of the failure of the Department of Civil Service and Registration to divulge sufficient information in this respect

and produce certain records for auditing purposes during the course of a previous examination. The objection raised by the then Director of the Department of Civil Service and Registration centered on the alleged confidential nature of the services performed. This factor, however, bears no relationship to accounting procedures since the interest of the Auditor's Department in such an examination is confined to a routine check establishing the validity of individual expenditures from a standpoint of (a) authority of law, (b) knowledge of actual services rendered and (c) reasonable determination of value received for any item of payment.

BOARD OF REGISTRATION OF BARBERS

Examination Failure Notices: When an applicant passes an examination for registration as a barber in addition to the formal certificates granted him, a small so-called courtesy card is also given him. These cards which are serially numbered state that the applicant "Has passed an examination". If, however, the applicant fails to pass the examination, he is notified by letter. In order that a further control may be provided over examination fees it was recommended at the time of the previous examination that serially numbered "failure forms" be obtained for use in notifying applicants of their failure to pass the examination. As this suggestion has not been adopted, attention is again called to it.

BOARD OF REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS

Bonds: It was noted that the Secretary is not bonded.

BOARD OF REGISTRATION OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS

Appointment of Board Members: In this connection the previous report stated:

"Section 3 of Chapter 643, Acts of 1941 reads as follows:

"The initial appointments of the members of the board of registration of professional engineers and land surveyors provided for by this act shall, within ninety days after the effective date hereof, be made by the governor, with the advice and consent of the council . . ."

"While it is agreed that no compensation has been paid the members and that no business has been performed by them prior to the effective date of the act, it still remains a fact that the appointments and qualification dates of the members were not in conformity with Section 3 quoted above. As the propriety of the acts of the board might be questioned sometime in the future, it was suggested at the time of the previous examination that this question be referred to the Attorney General. It was noted that an opinion has been requested of the Attorney General in a letter dated April 12, 1943, but to date no written official opinion has been received by this board."

As yet no answer has been received by the Board, therefore, attention is again called to the matter.

Applications and Applicants: At present one application serves the purpose for both the Professional Engineer and Land Surveyor. It is recommended that one application be filed for Professional Engineer and one for Land Surveyor.

Certificates: When certificates are issued to the applicant the same sequence of numbers is being used on the Professional Engineer certificates and Land Surveyor certificates. It is recommended that this procedure be changed by continuing with the same sequence of numbers for Professional Engineers and starting with a number determined by the board for Land Surveyors. When the next order of certificates is purchased from the printer, he should be requested to number each certificate.

BOARD OF REGISTRATION IN MEDICINE

Custody of Cash: Six people now handle the cash. The mail is opened and distributed with the money to any one of several persons. It is recommended that the Division of Registration and the Comptroller study the advisability of relieving these various persons of the responsibility of handling the money and of designating one person as cashier for both the Division of Medicine and Nurses.

It was noted that during the current audit period this division handled better than \$40,000.00.

Items in Suspense Account: On analyzing the suspense items in the Board of Registration in Nursing it was found that several items were in this account since 1935. It was recommended that some date be established and that all accounts older than that date be cleared.

Control of Income: It is impossible under the present system to make a proper reconciliation of income. It was suggested that the Comptroller's Bureau be contacted to revise the present system.

Applications: It is recommended that all applications be numbered in numerical sequence as they are received.

Certificate to Engrosser: It was noted that when certificates are sent to the engrosser an additional number is also sent in anticipation of errors. It was suggested that only the required number of certificates be sent each time.

DEPARTMENT OF CORPORATIONS AND TAXATION

GENERAL DEPARTMENT

Purchase of Bookkeeping Machines: The previous audit reports have stated:

"It was noted that the Income Tax Division purchased six electric bookkeeping machines from the Remington Rand Company in August 1940. Invitations to bid were sent to fourteen companies and the Remington Rand Company was apparently the low bidder at a bid of \$10,500.00. Attention is called particularly to the fact that the bid states:

'Confirming our letter of March 9 and in reply to proposal requisition No. 126, Income Tax Department dated April 12, 1940, we will furnish and deliver free of all charges, six (6) Remington Accounting Machines model 83F, equipped with dual print mechanism, shuttle carriage and other machine features necessary to make tax bill, warrant and analysis breakdown (at one operation) for a gross price of \$10,500.00.'

"In discussing this matter with officials of the Income Tax Division, it was learned that the machines delivered under this bid were not used during the 1940 season for the purpose for which they were purchased because certain machine features were not available and the machines were used only for listing purposes.

"In May 1941, the Remington Rand Company informed the Income Tax Division that in order to properly equip these machines to do the work for which they were purchased, an additional expenditure of \$4,252.00 would be necessary to purchase seventy-five registers. It is worthy of note that when the cost of the seventy-five registers of \$4,252.00 is added to the first cost of \$10,500.00 it gives a total of \$14,752.00 which is higher than the other two original bids submitted—namely, Burroughs Company \$13,348.80 and the Underwood Elliott Fisher Company \$11,907.00.

"In view of the language of their original bid, it is the opinion of this department that the Remington Rand Company violated the conditions of their bid and that the original bill should not have been passed for payment, since the machines when they were delivered were not equipped to do the work for which they were purchased. This matter was referred to the Attorney General by the Commissioner of the Department of Corporations and Taxation on May 21, 1942."

It was noted that as of May 22, 1945, no action had been taken by the Attorney General.

DIVISION OF ACCOUNTS

Cash Books: Two cash books are in use in this Division, one for receipts on account of certification of notes and the other for receipts on account of sales of supplies. Transactions in advance money are not recorded in any cash book.

Previous audit reports have recommended that the Comptroller's Bureau provide a columnar cash book in which all cash may be recorded.

During the current audit the above recommendation was discussed both with the Director and with the Comptroller's Bureau and it is understood that there will be provided whatever book or books that may be deemed necessary.

DEPARTMENT OF EDUCATION

GENERAL DEPARTMENT

Old Accounts Receivable: It was again noted that a number of old accounts are being carried on the books, some of which date back to 1936. It is recommended that all accounts over one year old be turned over to the Attorney General.

Bookkeeping Records: On December 13, 1944, the general ledger had not been closed for June 30, 1944, and no entries had been made in it for 1945; the detail accounts receivable were posted only to June 30, 1944; the financial report of June 30, 1944, had not been prepared, nor had any monthly financial reports been prepared for the 1945 fiscal year. During the progress of the audit the general ledger was closed for June 30, 1944; the June 30, 1944, financial report prepared and later the accounts receivable both detail and control accounts brought up to date and presented for audit on February 5, 1945. Up to February 26, 1945, the general ledger had not been brought up to date for the 1945 fiscal year nor had any of the monthly financial reports been compiled. The stock records relating to text books were posted only to the previous June 30, 1944, and up to February 26, 1945, had not been brought up to date. There was on December 13, 1944, approximately \$2,000.00 in income receipts in the safe in the office of the University Extension Division made up of 300 items, some of which had been there for months, not yet turned over to the business office—further mention of this matter will be found later in this report under a separate heading.

It is recommended that the Comptroller's Bureau be requested to review the entire bookkeeping routine from the inception of the receipts to the end that some arrangement be provided so that all income receipts will be paid over to the Business Office daily and all bookkeeping records will be kept up to date.

Bond Coverage: Apparently the business agent's bond of \$5,000.00 was the only bond in effect on December 13, 1944—as several persons in the department handle funds it is suggested this matter be reviewed so that adequate bond coverage may be provided.

Division of University Extension—Cash on Hand, Not Deposited and Not Recorded: The previous audit report stated "Attention is called to the following:

Constitution—Art. LXIII, Sec. 1

"All money received on account of the Commonwealth from any source whatsoever shall be paid into the treasury thereof."

G. L. Ch. 30, Sec. 27.

"Except as otherwise expressly provided, all fees or other money received on account of the commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the commission on administration and finance and the state treasurer the interests of the commonwealth require payments may be made weekly in accordance with such rules and regulations as the state treasurer may prescribe."

The previous audit report then noted that there were numerous cash items in the safe in the Division of University Extension on May 8, 1944, which had been on hand for some time, from the following sources:

1. Partial Payments
2. Receipts a/c sales of course material to schools
3. Receipts a/c correspondence courses for Armed Forces
4. Receipts to be refunded

On December 13, 1944, the date of the current audit, substantially the same situation was found—a summary of the cash items in the office of the University Extension Division on that date follows:

Items	Classification	Checks	Money Orders	Currency	Postage Stamps	Total
138	Correspondence courses for armed forces	\$ 29.00	\$1,063.69	\$ 8.00	—	\$1,100.69
30	Material sent armed forces	16.00	135.50	—	—	151.50
42	Correspondence courses (others)	32.35	131.83	67.33	—	231.51
7	Sale of material (correspondence)	76.70	—	1.50	—	78.20
6	Sale of material (class)	—	—	14.30	—	14.30
6	Free courses (sale of books, etc.)	72.61	—	4.15	—	76.76
31	Overpayments, armed forces	14.00	173.59	19.79	—	207.38
9	Visual instruction (films)	14.25	—	3.00	—	17.25
9	Money orders made out payable at places other than Boston—armed forces	—	58.04	—	\$.08	58.12
14	To be refunded, armed forces	3.75	12.00	51.49	—	67.24
2	Advance enrolments	10.00	—	6.00	—	16.00
6	Part payments on enrolments	—	—	11.00	—	11.00
300		\$268.66	\$1,574.65	\$186.56	\$.08	\$2,029.95

The dates on the items ranged from August 2, 1944, on and as previously stated in this report it is suggested that this matter be reviewed and some arrangement provided whereby receipts will be cleared daily to the bookkeeping office.

Division of University Extension—Springfield Office: Apparently there is some delay in remitting class fees collected by the Springfield office to the Boston office. For instance, there was received in the Boston office on February 13, 1945, a total of \$192.00, representing enrolment fees from the classes as far back as January 8, 1945. It would seem that receipts should be cleared to the Boston office daily.

Division of University Extension—Checking of Income a/c Class Instruction: The previous audit report stated:

Enrollment fees with the applications are received at the office of the Division of University Extension either in person or by mail. The greater number of the fees, however, are collected by the organizer or secretary at the opening sessions of each class. When a fee is received by mail, a post card acknowledgement which serves as a receipt is mailed. This post card serves as a ticket of admission to the opening class and is supposed to be exchanged for a serially numbered ticket at the opening meeting. No duplicate is retained in the office for checking purposes. When a fee is paid in person, a receipt is given from a serially numbered receipt book. The same type of receipt book is used in giving receipts for office payments both for partial payments and payments in full. These receipt forms are supposed to be exchanged for a serially numbered ticket at the opening meeting of the class.

'The organizer or secretary attending the sessions of the class uses both serially numbered tickets and serially numbered stub books.' An assignment of serially numbered tickets is made by a clerk in the division's office to the secretary or organizer, based on the expected attendance. The secretary is also furnished with a receipt book. If the attendance is greater at the opening meeting than was estimated, the supply of tickets is, of course, exhausted and the receipt book is used to record additional receipts. The payments thus made on receipt forms are recorded in duplicate, the student is instructed to return the receipt

on a subsequent session of the class and receive a regular form serially numbered ticket.

"It will be noted from the foregoing that any receipt for which a ticket is not issued is only supposed to be occasioned by an emergency or a partial payment. All receipts given other than tickets are supposed to be redeemed for tickets at a later date.

"During the 1943-1944 class sessions approximately \$11,697.00 was recorded on receipt forms, the individual amounts varying from \$.50 to \$37.50. Receipts totaling approximately \$5,730.00 were included which were not redeemed for tickets or were partial payments not completed.

"The only means of determining whether or not the receipt was exchanged for a ticket was as follows: The receipt stubs were listed in detail by number and amount as it was understood that when a receipt is exchanged for a serially numbered ticket, the receipt returned is attached to the tally sheet made out at each meeting by the secretary and returned to the office. The tally sheets were checked and those items which were apparently redeemed were thus eliminated.

"The use of receipt books in such quantity apparently defeats one of the purposes for which the tickets were intended—namely, the checking of the income through inventory of serially numbered forms.

"From the foregoing, it is obvious that the value of the serially numbered tickets from an auditing point of view as well as from an administrative point of view has been lost. It is, therefore, suggested that the prevailing routines be studied and, where necessary, corrections should be made so that these tickets may be used to their best advantage."

At the date of the current audit substantially the same conditions were found, consequently, it is recommended that the routine be studied.

Division of University Extension—Sales of School Supplies and Books to State Institutions and Others (Correspondence): Correspondence courses are furnished to patients in state and county institutions without charge for the instructions but books, lesson material and postage are charged for. Instruction without charge in these cases is authorized by statutes. Postage used is handled as sale of material, but books and lesson material sold are handled as "Correspondence Fees" and entered on the Correspondence Enrollment Lists, consequently, these charges do not get to the Business Office until paid, where they are included in the monthly posting from the cash book to the ledger account entitled "University Extension Enrollment Fees." It would seem that the sales of books and lesson material should be classified as sales and not as fees and be forwarded to the business office when the charge occurs.

Division of University Extension—Refunds to Armed Forces a/c Overpayments for Correspondence Courses: The previous audit report stated:

"When a member of the armed forces desires to take a course, application is made to the United States Armed Forces Institute. This application is accompanied by a fee. The application is acted upon by the authorities there and if it is approved, the application is forwarded to the Massachusetts Department of Education for completion. The fee accompanying the application as received by the Armed Forces Institute is, in numerous cases, an overpayment, as the applicant is not always familiar with the charge for the course and because of the fact that the United States Government pays one-half of the required fee. The application is forwarded to the Massachusetts Department of Education accompanied by the fee as received including the overpayment. The transmittal is accompanied by an order explaining the overpayment as follows:

"It is impossible to adjust this overpayment at this headquarters without an additional exchange of correspondence with the student which would involve considerable delay. The application is, therefore, forwarded to you for approval with the request that your office return the overpayment to the applicant."

"Refund is made by the division's employees in the following manner. Cash is obtained by substituting money orders of individuals to whom refund is due for cash of items scheduled for clearance. The funds thus obtained are turned in to money orders in the proper amounts of the overpayment and sent to the individual concerned. This method of refunding money obviously is contrary to the accepted methods employed in state accounting procedure."

At the date of the current audit the same situation was found, consequently attention is again called to it.

Division of University Extension—Text Books: A complete physical inventory was taken of the text books on December 13, 1944, but could not be reconciled with the stock cards, because the stock cards were only posted to the previous June 30, 1944. It was again noted that there is no general ledger control account for the stock ledger of text books and it is again recommended that the Comptroller's Bureau be requested to provide such an account.

Vocational Rehabilitation Reimbursement: The Division of Vocational Rehabilitation pays for tuition, supplies, transportation and maintenance when required of persons who are receiving vocational rehabilitation training and when the training is completed the trainees are furnished the necessary tools to enable them to carry on their occupation. The trainee as he is able, reimburses the Division for the cost of tools furnished him, but he is not required to reimburse the Division for the cost of his training. In the case history folder for the trainee there is a copy of the acknowledgement of the reimbursement which shows amount paid and amount remaining unpaid. Also, a book is kept in which receipts from trainees are recorded in chronological order. It was again noted that there is no form of control account showing the total amount of money which these trainees owe the division and no index is kept of the trainees who are reimbursing the Division for tools furnished, consequently, there is no way of knowing when an audit is made whether all the accounts are included—it is again recommended that some form of control be set up.

Endowment Funds: It was again noted that accounts with the principal of the individual endowment funds are not carried in the general ledger. There is, however, a general ledger account which shows the total of all endowments.

TEACHER'S RETIREMENT BOARD

Deficiencies in the Annuity Reserve Fund: Paragraph 2 of Section 9 of Chapter 32 of the Tercentenary Edition of the General Laws, as amended by Section 14 of Chapter 508 of the Acts of 1939, provides:

"The Commonwealth shall in each odd numbered year contribute such amount as is necessary to make good any deficiency in the annuity fund for active or retired members as of the preceding thirty-first day of December."

Deficits in the annuity fund from December 31, 1938, to December 31, 1944, inclusive, have been as follows:

December 31, 1938	.	.	.	.	.	.	.	\$ 45,321.68
December 31, 1939	.	.	.	.	.	.	.	43,125.07
December 31, 1940	.	.	.	.	.	.	.	86,474.74
December 31, 1941	.	.	.	.	.	.	.	98,505.56
December 31, 1942	.	.	.	.	.	.	.	148,566.45
December 31, 1943	.	.	.	.	.	.	.	100,355.16
December 31, 1944	.	.	.	.	.	.	.	146,253.24
								<hr/>
								\$668,601.90

Except for the deficit of December 31, 1942, in the amount of \$148,566.45, the statutes have provided that notwithstanding the provisions of Chapter 32, as noted above, these deficits shall be taken from the surplus account.

Provisions for reimbursing the surplus account and the annuity fund have been made as follows:

Item 1305-5, Ch. 419, Acts of 1943	\$ 45,000.00
	43,446.75
Item 1305-5, Ch. 370, Acts of 1943	100,000.00
Item 1305-7, Ch. 572, Acts of 1943	33,568.29
Item 1305-5, Ch. 370, Acts of 1943	100,000.00
Item 1305-7, Ch. 572, Acts of 1943	99,978.46
	<u>\$421,993.50</u>

Add:

Deficits to be provided for in accordance with Section 14 as above noted:

December 31, 1943	100,355.16
December 31, 1944	146,253.24
	<u>\$668,601.90</u>

DIVISION OF THE BLIND

Bond Coverage: It is noted that several employees handling state funds are not bonded.

Accounts Receivable—Overdue Accounts: It is recommended that all accounts overdue since June 30, 1944, or prior be turned over to the Attorney General for collection.

Materials and Supplies Accounts—Inventory Adjustments: It was noted that no inventory adjustment was made to the materials and supplies account during the period covered by the audit.

Finished Goods Stock Ledger Control—Cambridge Industry: Attention was again called to the fact that the materials and supplies account in the general ledger of the department does not control the finished goods on hand.

MASSACHUSETTS MARITIME ACADEMY

General Accounts: Attention was called to several inadequacies on the book-keeping routines and systems.

Telephone Pay Stations Commissions: It was noted that the Telephone Pay Station commissions are being credited to the canteen fund instead of being turned over to the State Treasurer as income.

STATE TEACHERS COLLEGE AT SALEM

Trust Funds: Attention is called to the fact that the general ledger does not include an account for trust funds.

MASSACHUSETTS STATE COLLEGE

Students Charges: It was suggested that a control record be established for students charges.

Rental of Rooms: It was recommended that all rooms in the dormitory or house be set up in a plan form or record including the room number, rate and period occupied.

College Production: It was again recommended that the college attempt revision of their accounts so that more centralized control of all college production and distribution be available.

Dairying—Processing of Milk Records: It is recommended that the Comptroller's Bureau be contacted relative to the installation of complete processing records in this department.

Boarding Hall: A comment in a previous audit report relative to the payment of an invoice for materials never received by the boarding hall was rechecked. It was noted that no adjustments of inventory differences were made on the general ledger control account from October 1, 1943, to September 30, 1944.

Attention was called to the sale of 650 sacks of potatoes at a loss of \$539.50.

Endowment Funds: Attention was directed to several expenditures from the Endowment Funds which appeared to be not in conformance with the purpose for which the funds were created.

Endowment Securities: It was recommended that consideration be given to the setting up of all securities on the general accounts on some consistent basis.

Attention was also called to the fact that interest on \$2,400.00 Columbus-Vention-Stevens 5% First Mortgage Bonds—1955 are still in arrears and that no dividends had been received during the audit period on the 12 certificates of Columbus-Vention-Stevens Building Inc.

Collection of Certain Delinquent Loan Funds: It was again noted that, in certain instances, loans to students made from Loan Funds and which were several years overdue, had been collected by a collection agency to whom a commission was paid based on the accounts collected. This arrangement was questioned by the Department of the Attorney General under date of May 18, 1943, in the following letter:

Copy

DEPARTMENT OF THE ATTORNEY GENERAL

State House
Boston, Mass.

MAY 18, 1945.

MR. ROBERT D. HAWLEY, *Treasurer*
Massachusetts State College
Amherst, Massachusetts.
Dear Mr. Hawley:

Thank you for your letter of May 17th furnishing us with information regarding the status of certain claims of the Massachusetts State College.

I doubt whether your Board of Trustees is authorized to write off these claims as uncollectible and to engage a commercial agency to attempt to collect the sum due your college.

I suggest that you request the Attorney General to render an opinion to you in regard to this matter and that you notify the agency to discontinue its attempts to collect these claims pending your receipt of this opinion from this office.

Yours very truly,
ROBERT T. BUSHNELL,
Attorney General

s/ W. FORBES ROBERTSON,
Director of Accounts

As a result of the foregoing letter, the following action has been taken by the Board of Trustees as is evidence by this excerpt from the minutes of their meeting of June 23, 1943:

From Minutes of Meeting of Trustee Executive Committee and Finance Committee June 23, 1943, Parker House, Boston.

The Committee considered the matter referred to it by the full Board pertaining to collection of delinquent student loan fund accounts. Question was raised by the Director of Accounts of the Attorney General's Department as to authority of the Trustees to write off delinquent accounts and to attempt collection of such accounts through a commercial agency. This matter was described in a letter to the Executive Committee dated June 1, 1943. Following discussion, it was

Voted: By the Executive Committee to approve the recommendation of the Treasurer in his letter of June 1 (this letter is made a part of the minutes) and to authorize him to write to the Director of Accounts of the Attorney General's Department conveying this action of the Committee.

JUNE 1, 1943.

Executive Committee
Board of Trustees
Gentlemen:

At the meeting of the Board of Trustees held in Amherst on May 22nd, the Treasurer read a letter from Mr. W. Forbes Robertson, Director of Accounts in the Department of the Attorney General, of which copy is attached hereto. Since there was insufficient time for the consideration of the matter at the Board meeting, it was referred to the Executive Committee with power.

The practice of writing off delinquent Trust Fund accounts by the authority of the Board of Trustees is one of long standing and I believe this is the first time it has been called into question. The accounts to which Mr. Robertson refers were written off upon the authority of action of the Finance Committee at its meeting on January 26, 1943.

The accounts in question are all more than ten years old and all but two of them were referred to the Attorney General for collection May 1, 1940. He secured a collection of \$100.00 on one note in September, 1941, but we have had no report from him since then.

These accounts were referred to the American Credit Bureau for collection in March, 1943, by authority of an action of the Board of Trustees on January 23, 1941 "that the Treasurer be requested to collect delinquent loan accounts of Trust Funds in such manner as appear to him advisable."

I had opportunity to discuss this matter with Mr. Bartlett on May 25, and it was his opinion that the Executive Committee would authorize me to reply to Mr. Robertson's letter indicating that the Trustees have felt that they had full power under Section 7 of Chapter 75 of the General Laws to administer these Trust Fund accounts, that for a great many years they have acted from time to time to write off uncollectible accounts. In accordance with their belief that full authority is invested in the Board, they have entered into a contract with a Commercial Collection Agency for the collection of these ten accounts which have run more than ten years and they do not feel that they can abrogate this contract unless they are specifically advised by a formal opinion of the Attorney General that they lack the necessary authority.

Since no early meeting of the Executive Committee is planned, I am referring this matter to members of the Committee by mail with request that they indicate to me by return mail whether or not they approve the action indicated above.

Very truly yours,
s/R. D. HAWLEY,
Treasurer

College Store: It was again recommended that the Comptroller's Bureau be requested by the college authorities to install a retail value system of accounting in the text books and supplies section of the college store.

Over and Short Account: It was suggested that an over and short account be opened in connection with the cash register receipts.

BRADFORD DUFEE TEXTILE SCHOOL

Attention is called to the fact that the board of trustees voted on November 4, 1932 to transfer the management of all trust funds to B. M. C. Dufree Trust Company. For these services a nominal charge is made by the Trust Company and the question is raised as to whether this expense was contemplated by the several donors of the trust funds.

Bookkeeping: It is noted that no control accounts have been set up in the general ledger for the athletic fund and the key deposit fund accounts.

DEPARTMENT OF PUBLIC WORKS

GENERAL DEPARTMENT

Highway Division—Revision of Accounting System Appropriation: In conformance with Item 2940-01 of page 419 of the accounts of 1941 an appropriation of \$25,000.00 was made for expenses incidental to the revision of the accounting system in the Department of Public Works and the Metropolitan District Control Commission under the direction of the Commission on Administration and Finance. It was again understood from the officials from the Department of Public Works that the installation of the new bookkeeping system has not yet been completed.

In this connection, attention was called to the fact that 92.7% of the total expenditures under this appropriation represented consultant services rendered by employees of the Public Auditing Service, Chicago, Illinois. This amount does not perhaps indicate a proper total because the business agent of the Department of Public Works stated it was almost impossible to definitely state whether the overtime wages paid employees from the departments regular appropriation were due to the new system or due to other and extraneous causes.

Approximately 3 years work, at intervals, by representatives of the Public Auditing Service plus substantial equipment rentals charges and other elements of expenses not charged to the "Revision of the Accounting System" have now been expended in effecting a mechanical adaptation to the accounting routines of the Department of Public Works.

Highway Division Advance: Attention is called to items of advance money given to former employees of the Department which have not been returned.

Highway Division Active Accounts Receivable: It was suggested that all accounts over 1 year old be given to the Attorney General for collection.

Highway Bookkeeping Records: Suggestions were offered relative to the addition of certain bookkeeping records for use in the department.

Outdoor Advertising Renewal Permit Fees: It was suggested that the Comptroller's Bureau be contacted relative to the installation of serially printed numbered duplicate forms for use in the handling of renewal permit fees.

Waterways Division—Active Accounts Receivable: Attention was called to several unpaid accounts receivable. The age of these accounts would indicate that they should have been collected prior to this time and it was suggested that extra effort be made to collect these accounts and all other past due accounts now open on the books of the Division. All accounts showing unpaid balances of 1943 and prior years should be turned over to the Attorney General for collection.

Waterways Bookkeeping Records: It was suggested that a general ledger be put into operation; that accounts receivable individual accounts be segregated alphabetically under each sub-control classification, and that a separate sub-control classification be carried in the accounts receivable ledger for refunds on account of prior years.

Waterways Division—Commonwealth Airport East Boston: Attention was called to the fact that the Northeast Air Lines Inc. contends it does not have to pay charges for scheduled rates at the Commonwealth Airport and it was suggested that the matter be turned over to the Attorney General for an official opinion.

REGISTRY OF MOTOR VEHICLES

Refunds of Fees Account of Applications for Licenses to Operate Motor Vehicles: It was again recommended that the Comptroller's Bureau review the routine of handling examination fees and provide some method that will eliminate the present practice of refunds being made by the examiners.

Duplicate Issues of Renewal Licenses: An additional reimbursement of \$112.00 was received during the current audit period on account of duplicate issues of renewal licenses representing 56 renewal licenses for which fees were neither recorded nor deposited when the licenses were issued. Two additional duplicate

renewals were also found. The refund of the \$4.00 in question had not been made prior to the completion of the audit.

Plates Destroyed at the Haverhill Office: It was noted that 173 current years plates were inadvertently destroyed by the Haverhill Branch Office of the Registry of Motor Vehicles.

Advance Money—Chief Accountant: It was recommended that the Comptroller's Bureau be contacted relative to the installation of the cash book to record receipts and disbursements of examination money in the office of the Chief Accountant.

DEPARTMENT OF PUBLIC HEALTH

GENERAL DEPARTMENT

It was noted from an examination of the 1944 expenditures the sum of \$14,307.03 was paid to the Massachusetts Memorial Hospital to reimburse the hospital for expenditures made for renovating and furnishing the Genito-infectious Disease Clinic at said hospital. It is further noted that competitive bids were not secured for this work except in one case concerning floor work. The hospital in their letter of May 10, 1944, to the Department of Public Health stated in part:

"The hospital was not requested to obtain competitive bids."

LAKEVILLE STATE SANATORIUM

Canteen Funds: Attention was called to an overage of \$137.37 in the canteen which overage is equivalent to 3.13% on sales.

NORTH READING STATE SANATORIUM

Sales of Cloth to Patients: It was again suggested that permission be obtained from the Attorney General for disposition of certain small amounts representing sales of cloth to patients and all outsiders from 1940 and prior years.

Materials and Supplies Account: Suggestions were offered relative to the review of the stock ledger accounts so that the bookkeeping would be simplified.

Trust Fund: Attention was called to a trust fund received under the will of Agnes J. MacNevin which had not been properly set up in the institution's general ledger.

RUTLAND STATE SANATORIUM

Farm Records: The farm records for the fiscal period ended December 31, 1944, had not been compiled prior to the date of audit.

WESTFIELD STATE SANATORIUM

Bookkeeping Recommendations: Suggestions were offered relative to certain changes in the handling of the accounts receivable and canteen accounts.

Funds Transferred to State Treasurer: The institution still transfers income to the State Treasurer at the end of each month. This is apparently contrary to the requirements of Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, which provides that money received on account of the Commonwealth should be paid daily into the Treasury.

Patient's Funds: It was again recommended that the Comptroller provide additional forms and records for the better recording of transactions in these funds.

Trust Fund: It was noted that a small trust fund is included with the canteen accounts and it was suggested that this fund be set up in the general ledger as an independent fund.

Farm Accounts: Because the annual farm report for 1943 was not completed prior to the current audit date, little could be done in relation to these accounts. A check of the herd book indicated minor variations.

DEPARTMENT OF PUBLIC WELFARE

GENERAL DEPARTMENT

Accounts Due from Municipalities a/c Tewksbury State Hospital and Infirmary Cases: It was suggested that all accounts over one year old be referred to the Attorney General.

Accounts with Attorney General for Collection: Attention was called to certain accounts which had been sent to the Attorney General for collection representing accounts receivable in the Division of Child Guardianship, but in this connection it was noted that the accounts purported to be with the Attorney General for collection did not reconcile with the Attorney General's accounts and it was recommended that the Attorney General be forwarded a list of all cases which the records of this department show as having been previously remitted for collection. It was further noted that several accounts which are dated back to 1937 in the Division of Aid and Relief had not been forwarded to the Attorney General for collection.

Several instances were noted of billings which were not currently made to the various cities and towns, and it was suggested that a closer coordination between the Bookkeeping Office and the Settlement Division be maintained if these accounts are to be currently cleared. It was further suggested that the Settlement Division review all old accounts and make some effort to bring about payment.

Division of Aid and Relief, Charges for Board of Private Patients at the Tewksbury State Hospital and Infirmary and Reimbursement for Transportation: The previous audit report stated:

"It was noted that charges for such items are not set up in the accounts receivable at time of billing, entry not being made until bill is paid. It is suggested that charges be set up in the accounts receivable when the bills are rendered.

"Referring to board of private patients, it is understood that the social service section of the department makes this determination and apparently the only records of such cases in that section are in the particular case history folders. It is suggested that the social service section keep a segregated record of private cases authorized which will provide a basis of auditing this type of income."

As this suggestion has not been followed, attention is again called to it.

Support of Sick Indigent Persons who have no Legal Settlement: The previous audit report stated:

"This appropriation provides for reimbursement to cities and towns under provisions of G. L. Ch. 122, Sec. 18, as amended by St. 1941, Sec. 412 and by St. 1943, Ch. 476, and G. L. Ch. 121, Sec. 42, as amended by St. 1941, Ch. 406. Bills are rendered to the Department of Public Welfare by the cities and towns annually on or before September 1 (within the discretion of the department to accept within 60 days after the close of the current fiscal year of the particular municipality) covering the 12 months ending on June 30, preceding.

"The 1943 legislature made no appropriation for this purpose for the 1944 fiscal year and appropriated \$300,000.00 for the 1945 fiscal year, so the only amount available for 1944 was \$78,136.78 which was brought forward from 1943. On March 15, 1944, the unexpended balance was \$1.01 while records in the department show bills submitted totaling \$387,451.53 of which bills totaling \$77,135.77 had been paid and bills totaling \$66,714.99 audited and approved but not paid because no funds were available. It appears that the total of \$66,714.99 of bills approved but not paid will be increased to well in excess of \$150,000.00 when the Department of Public Welfare has completed its auditing of the bills concerned. At present it is not the practice to record such liabilities in the general ledger of the department—it is suggested that the State

Comptroller be requested to provide for the recording in the general ledger of audited and approved liabilities so that the true financial status of the accounts may be readily apparent."

It was noted that accounts as suggested were not opened in the general ledger of the department.

However, an appropriation of \$350,000.00 was appropriated and allotted during the 1945 fiscal year to date of audit. The allotment accounts on April 30, 1945, showed a balance of \$80,790.99.

Bills approved but not paid during the 1944 fiscal year were paid out of the appropriation made for the 1945 fiscal year.

General Relief, Temporary Aid: The previous audit report stated:

"The disbursements under this appropriation were not checked but a few of the City of Boston bills were scanned. In the case of groceries the Boston bills show on the face of the bill the date the order was issued, serial number of the order and amount of the order but does not state whether the order has actually been paid but the certification on the back of the bill reads:

"Department of Public Welfare, Division of Aid and Relief, State House, Boston, Massachusetts

"We certify that this statement is correct, that the amount has been paid from our treasury, and all requirements of Chapter 117 of the General Laws have been complied with.

Overseers of the Public Welfare, City of Boston

Signed William G. O'Hare

Executive Director"

"It is suggested that the Welfare Department of the City of Boston be asked for a list of any orders issued but remaining unpaid a year later and that if there are any in this category the possibility of refunds to the Commonwealth be considered. It is also suggested that the bills from other cities and towns covering grocery orders be reviewed to see if there are cases of orders issued but never paid for."

As this suggestion has not been followed, attention is again called to it.

Ledger Accounts with Municipalities Account of State Minor Wards: It was stated in the audit report of the previous audit:

"It is again recommended that each ledger account with a municipality be backed up by a ledger account with each person included in the make-up of the account—at present there are ledger accounts with municipalities but the detail is shown only on duplicate bills."

As this suggestion has not been followed, attention is again called to it.

Division of Child Guardianship—Income Received from Probation Officers: The previous audit report stated:

"In the case of children committed to the care of the division by court order, the court may order the parent to pay for the support of the child, whatever amount the court determines. These payments are made by the person concerned to the probation officer of the court, who in turn transmits them to the Division of Child Guardianship. A separate card is kept for each case. On April 1, 1944, the card file showed 393 probation cases, of which 121 cases showed that no payments had been received during the period of January 1, 1944, to April 1, 1944. It is suggested that some regular follow up method be provided."

As this suggestion has not been followed, attention is again called to it.

Division of Aid and Relief Trustee Accounts: The previous audit report stated:

"These funds are received in the first instance in the office of the Assistant Director of the Division, located in the State House, are

placed in an envelope and sent daily to the bookkeeping office, located in the Ford Building, where a receipt in duplicate is made out for each item and the funds deposited in individual savings bank accounts. The duplicate copy of the receipt is retained in the bookkeeping office and the original copy of the receipt is sent to the office of the Assistant Director of the Division who sends them to the social service section, where some have been filed in case history folders and some have been placed in an envelope.

"Apparently the receipt forms merely serve as inter-office memos and it is suggested that this matter be brought to the attention of the State Comptroller to the end that the receipt forms may be used for the purpose intended."

As this suggestion has not been followed, attention is again called to it.

State Employee's Unemployment Fund: It was suggested that an account be opened on the general ledger of this department with this fund.

Division of Child Guardianship—Wards' War Savings Bonds: It was recommended that a controlling account for these bonds be opened on the general ledger of the department.

DIVISION OF JUVENILE TRAINING

Wards' Personal and Wage Accounts: In connection with the current examination, attention was called to several instances of wards' monies being deducted from their withdrawal accounts, although they indicated by correspondence and in person that they never had actually received the monies in question.

In many instances signed receipts allegedly supporting the withdrawals were found on file, but later the authenticity of the signed receipts was questioned by those supposedly responsible.

In connection with the audit of monies held in trust for the boys, other instances of irregularities were noted. These included the following:

Wages were collected by a visitor and were not deposited in the ward's savings bank account.

The executive secretary and the present supervisor of social service, both employees of the Boys Parole branch, have made payments to certain wards account of irregular withdrawals from the wards' savings bank accounts.

Because of certain irregularities noted in the accounts, the trustees have established a fund for payments to certain wards who claimed their monies had been improperly used.

Trustees have made payments to certain wards and have reimbursed employees of the division for their payments to wards whose claims were decided by the trustees to be meritorious.

In further connection with these irregularities it was noted that appropriate action was not taken when the irregularities were first found in the wards' savings bank accounts, and because of this, irregular withdrawals continued.

Attention was also called to the fact that \$156.05 collected from the Charles Hayden Goodwill Inn for transient boys was not turned over to the State Treasurer.

Certain expenditures from an allotment of \$100.00 from the Male Wards' Trust Fund were not supported by receipted vouchers.

Wards' War Savings stamps were not deposited to the wards' savings bank accounts by a former supervisor of social service within a reasonable time after receipt.

Attention was called to the fact that the supervisor of social service was not bonded even though attention had been repeatedly called to this fact in previous audit reports.

It was also noted that clothing kept at the Lyman School for Boys' belonging to the Juvenile Training Boys' Parole Branch was not being satisfactorily handled.

A question was also raised relative to the disposition of certain bankbooks held as property.

It was noted that the financial records relating to wards' wages, wage agreements, and reports are inadequate for auditing purposes and it was suggested they be reviewed so that they may lend themselves more readily to verification.

INDUSTRIAL SCHOOL FOR GIRLS

Farm Reports: The farm report for the fiscal year ending December 31, 1944, having not been completed during the course of the audit, the examination of the farm accounts consequently was not made.

Special Pay Roll Bank Account: It was noted that the special pay roll bank account had not been reconciled for the past several months.

LYMAN SCHOOL FOR BOYS

Farm: Attention is called to the fact that there was a loss from the operation of the school's swine herd totaling \$2,713.82 for the farm fiscal year ending December 31, 1943.

Attention is also called to what appeared to be excessive charge offs for spoilage and shrinkage of vegetables aggregating \$5,342.66.

Income: The analysis of the income for the past two year period indicates that there was no income received from the sale of rags, junk, grain bags, etc.

Materials and Supplies: The examination of records relating to the receipt, issuing and adjustments of materials and supplies revealed that transactions which are recorded on the referred to records are not made in accordance with the Comptroller's regulations. Reference is made particularly to the requisition book kept by the schools' meatcutter which shows instances where food supplies are issued to persons not authorized to draw food supplies, food supplies issued 5 days prior to making out the requisitions as well as the failure to have the receiver of the food supplies sign for receiving them.

Adjustment requisition No. 16 of Book No. 2790 shows a charge off of 685 pounds of lamb flank as being unfit for consumption. In this connection it is understood that this commodity was unfit for consumption at time of delivery to the school.

In further connection with the control and recording of transactions relating to materials and supplies, there appears to be some question as to whether or not the school's steward understands the Comptroller's regulations governing them. It is therefore suggested that a representative of the Comptroller's Bureau again visit the school for the purpose of instructing the steward as to the Comptroller's regulations relating to materials and supplies.

MASSACHUSETTS HOSPITAL SCHOOL

Farm Report: It was noted that herd valuations were not computed in conformity with the instructions of the Comptroller under date of November 1938.

It was further noted that the herd records are very incomplete as at least one half of the births do not appear in the herd book. They appeared only on the monthly livestock census report. The inventory sheets on sows and shoats do not agree with the annual farm report.

Trust Funds: Attention is called to certain stocks and bonds which have a market value considerably less than the book value.

TEWKSBURY STATE HOSPITAL AND INFIRMARY

Private Board of Treatment Cases: Attention was called to the routine that is followed in charging for the treatment of emergency and outside accident

cases, and it was recommended that a survey be made so that as much income as possible from this source will accrue to the Commonwealth.

Stolen Turkeys: In connection with the audit of the farm accounts, attention was drawn to turkey chicks which were stolen from the institution. The circumstances as related by the institution superintendent were as follows:

The poultry man when feeding the turkey chicks noticed that the usual number did not respond to feeding. He went to the coops and found that they were empty. The superintendent was notified of the loss and a physical count was made of the chicks and it was noted that 110 of the turkey chicks were missing.

The superintendent notified the Board of Trustees and the State Police and also the chiefs of police in the surrounding towns—Billerica and Tewksbury. No results were obtained by the police.

The superintendent while driving through the Town of Tewksbury noticed turkey chicks that corresponded in color to the missing chicks and asked the individual where he purchased them. He told the superintendent that he purchased them from a boy for 35 cents a head (the market price was 85 cents a head). The individual and the superintendent went to the chief of police of Tewksbury where the individual related the transaction. When the individual learned the chicks were stolen, he turned them over to the Institution.

Sometime later the chief of police of Billerica found additional chicks on a farm in that town and the person stated he purchased them from a man (the father of the boy that sold them in Tewksbury). These chicks were also returned to the Institution.

As far as could be learned, this matter was not reported to any of the state administrative agencies—other than the state police.

The following excerpts from the minutes of the trustees meetings indicate how the matter was disposed of:

July 1, 1943

"The theft of 100 turkey chicks on the night of June 5 appears near a solution. Dr. Houghton asked that for the present this problem be left with him to work on in consultation with Mr. Reilly, to which the board agreed. All poultry is now tattooed with a number registered with the State Police.

August 5, 1943

"Final report on theft of turkeys. Dr. Houghton reported that after the last Trustees' meeting Mr. Reilly accompanied him to the local police station, where a 14 year old boy confessed to the theft of approximately 110 turkeys. Eighty-six were recovered. Dr. Houghton felt that considering the cost of feed for 5 weeks, the institution has lost nothing financially. With the help of Mr. Reilly, the matter was settled as follows: No charges were brought; the boy's father is to make a satisfactory settlement with the persons to whom the turkeys were sold by the boy; a confession was signed by the boy and his father; if the boy is found on the institution property again, action can be brought for the theft. Mr. Reilly talked to the boy and his father, and the matter is considered closed."

Fire: A fire occurred at the institution destroying the roof of the chapel. The damage is estimated to be approximately \$40,000.00.

General: It was noted that Dr. Henry S. Glidden is still performing part time services for the Infirmary during hours of convenience to him at a salary of \$125.00 per month. Dr. Glidden maintains a residence in one of the houses of the hospital group for which a monthly payment of \$80.00, the amount allowed by the Navy Department, is made by him for rental and other consideration. Concurrently, this physician is serving as a full-time Medical Officer in the United States Naval Reserve with assignment of duty within the First Naval District.

DEPARTMENT OF MENTAL HEALTH

GENERAL DEPARTMENT

Unpaid Institution Board Accounts Referred to the Attorney General: Attention was called to the routine followed when unpaid institution board accounts are referred to the Attorney General for collection.

Case Histories: Difficulty has always been experienced in locating case histories in connection with the audit and it appears to be necessary that some method of indexing be devised by the Department which will facilitate the finding and examination of these missing histories.

Charges Discontinued on Six Months Delinquency: There appears to be a custom apparently unsupported by authority to discontinue billing when an account is six months in arrears. If the delinquent payments are made billings are resumed. It has been previously recommended that all billings continue until the account appears on an official discontinuation list.

Bids and Specification Deposits: It was again recommended that in the case of deposits on account of plans and specifications that a definite time limit be fixed by the Department during which time bidders shall request the return of their deposits without danger of forfeiture.

Wages of Girls on Parole: It was again recommended that a control account for the parolees' wages be set up in the general ledger.

BELCHERTOWN STATE SCHOOL

Bonds: It was noted that the Superintendent was not bonded on the date of audit.

Farm Accounts: It was noted that canned goods aggregating in value \$839.18 were not properly reported on the 1943 farm report.

BOSTON PSYCHOPATHIC HOSPITAL

Superintendent: It was again noted that there is no superintendent at this institution, although Section 28 of Chapter 123 of the General Laws, as amended by Chapter 486 of the Acts of 1938 apparently specifically provides for one. The powers and duties of the superintendent are divided between two officials, namely, the chief executive officer and the medical director. At the present time Dr. Harry C. Solomon is functioning in both capacities. He is only being paid, however, in the capacity of medical director.

Accounts Receivable—Board of Patients: The so-called accounts receivable amounted to \$43,221.07 on the date of audit and represented approximately 1,628 individual accounts, some of which have been outstanding since the 1933 and 1934 years. It was advised that the Department of the Attorney General be requested to assist this institution in the collection of these delinquent accounts.

In the past several audit reports it has been repeatedly recommended that the entire matter of handling private board cases be reviewed. It is understood that this matter has been the subject of a great deal of correspondence between hospital officials and officials in the Department of Mental Health. As yet, however, no changes in the method of collections have been made.

Board of State Minor Wards: Attention has been called in previous audit reports to the practice of not billing the Division of Juvenile Training and the Division of Child Guardianship in the Department of Public Welfare for the board of wards of those divisions who have been hospitalized in this institution. A previous audit report called attention to the fact that a letter was written under date of March 28, 1940 asking advice in this matter. To date of audit, this letter has not been answered.

Suspense Accounts Receivable: Attention was called to the fact that there was in this category \$28,770.12 and the amounts represented have been given to the Division of Probate and Support in the Department of Mental Health for collection as some of these accounts have been outlawed by the Statute of

Limitations. It was again recommended that permission be obtained to charge off all those accounts which cannot be collected because of the operation of this statute.

BOSTON STATE HOSPITAL

Pay Roll Records Reconciliation: Attention was called to the fact that the pay roll bank account which has not been in balance in the past several audits is now in reconciliation.

Patients' Fund Trial Balance: It was noted that while taking a trial balance of the patients' individual accounts that a difference of \$62.14 existed between the ledger cards and the balance called for by the control account. This difference has appeared in the past three examinations and it was advised that this amount be included on a suspense account and carried as part of the trial balance.

BOSTON STATE HOSPITAL

Patients' Accounts—Uncashed Checks: It was noted in examining the patients' property that there were several checks which had been placed in the property file. It was recommended that an effort be made to have these checks properly endorsed and presented for payment.

FOXBOROUGH STATE HOSPITAL

Maintenance Stores—Coal Adjustments: A review of the adjustment requisitions showed a credit adjustment of \$1,459.56 covering 158.62 tons of coal. This adjustment became necessary as a result of the change over from fuel oil to coal for heating.

GARDNER STATE HOSPITAL

Farm Records: Because the institution's farm report for the calendar year ending December 31, 1944 had not been completed for examination, the farm records were not examined.

MEDFIELD STATE HOSPITAL

Flamand Fund: This fund originated years ago through a donation by Mr. J. C. J. Flamand "for furtherance of occupational work of patients" and is under the jurisdiction of the superintendent and trustees. On July 9, 1940 Mr. Flamand, the donor, signed a statement to this effect:

"I hereby authorize the Trustees and the superintendent of the Medfield State Hospital to use such part of the accumulation of this fund for the entertainment of patients as in their judgment will not interfere with the original purpose."

No expenditures have been made from this fund for several years. It is again recommended that means be found to expand this fund consistent with the terms of the "original purpose."

On June 6, 1945 there was a balance in this fund of \$529.37.

MONSON STATE HOSPITAL

Farm Report: Attention was called to the fact that the farm report for the 1943 fiscal year had not been completed and was not available for audit in connection with the current examination.

TAUNTON STATE HOSPITAL

Maintenance Stores: The previous audit report stated:

"An attempt was made to take a physical inventory of the maintenance materials and supplies at this institution. Because of the lack of competent storeroom personnel this inventory, as taken, was accomplished with patients as assistants. As a result, the inventory was impossible of reconciliation with the stock ledgers and its value, as accounting expediency, was lost completely.

"It was learned that the person who last held the pay roll designation of storekeeper entered the armed services in June 1943. Only recently, an individual has been designated on the pay roll as an assistant storekeeper, but it is understood that he is unwilling to accept the responsibility of functioning as storekeeper. As a result, services of patients have been necessarily employed—and the value of this type of employee from the point of view of placing responsibility is, of course, obvious.

"It is further understood that the institution authorities have made serious efforts to obtain competent employees but because of the prevalent employment difficulties, they have been unsuccessful to date. Needless to say, their problem is a serious one—and it is suggested that the Department of Mental Health be consulted relative to the necessary assistance.

"As a matter of record, it is also mentioned that the last complete inventory by institution personnel was taken on June 8, 1943. Since that time, however, only a few partial test inventories have been taken."

The same general conditions prevail in the storeroom as was reported in the previous audit report—lack of competent storeroom personnel.

It was further noted that adjustments have not been made on the stock ledgers for the past few years. It is recommended that these accounts be reviewed and necessary entries made.

WALTER E. FERNALD STATE SCHOOL

Wage Accounts of Patients on Parole: Referring to this subject, previous audit reports have stated:

"The system of handling the funds of paroled patients varies radically in each of the institutions in this group. It is suggested that the Comptroller's Bureau and the Department of Mental Health be requested to review the question of wages earned by patients on parole, and provide a uniform system, which will be acceptable to all concerned."

This matter was discussed with the Commissioner of the Department of Mental Health and assurance was given that the present arrangement would be studied and the necessary changes made.

The previous audit report stated:

"The previous audit report showed certain old accounts running from 1930 to 1936 amounting to \$486.52 which the institution considered uncollectible. Three other accounts in the same category amounting to \$111.22 plus the foregoing accounts were referred to the Attorney General for disposition on January 4, 1943. A letter from the Attorney General dated February 19, 1943 authorized the school to cancel and charge off these accounts. In this connection it was noted that only one of the foregoing referred to accounts was paid in the amount of \$21.00. The previous audit report also stated that certain old accounts running from 1932 to 1941 amounting to \$256.60 which the institu-

tion considered collectible remained unpaid. These were also referred to the Attorney General and the amount of \$57.00 has already been collected through the efforts of the Attorney General's Department. This leaves an unpaid balance of old wage accounts of \$199.60."

It was noted that \$10.00 was paid to a social worker and turned over to the patient on parole during the current audit period, leaving a balance of \$189.60 on date of audit in this account.

Savings Bank Accounts of Patients on Parole: Attention is called to the following citation which is Section 39 of Chapter 123 of the Tercentenary Edition of the General Laws:

"The superintendent of each state hospital may deposit in any bank or trust company within the commonwealth funds belonging to patients and funds deposited by their relatives or friends to be used for their benefit, in an account entitled 'Patients' Funds', funds belonging to patients, funds deposited by their relatives or friends, and funds earned by patients who are committed to the department or are under its supervision, to be used for their benefit under regulations prescribed by the department."

It is understood that the funds of patients on parole at the Belchertown State School and the Wrentham State School in savings bank accounts are under the trusteeship of the respective superintendents of those institutions.

However, the superintendent of the Walter E. Fernald State School is not the trustee of the savings bank accounts of the patients on parole from this institution. In this connection it was noted that 72 savings bank accounts belonging to paroled patients with balances totaling \$12,418.26 were seen. It was seen that in no instance was the superintendent of the Walter E. Fernald State School the trustee for these patients. Joint accounts of the patient with the employer were noted as well as instances where the employer is trustee or guardian for the patient.

Patient No. 5440 was paroled on June 29, 1942, according to his parole record and on the employment agreement of the same date it was noted that he was to receive wages at the rate of \$15.00 per month. In this connection it was noted that a bank account was not opened for this patient until March 12, 1945, at which time an account was opened with an initial deposit of \$153.30. This account was opened after a request had been made that the bank books of paroled patients be sent to the institution for examination. It was further noted that the account was subject to the employer's sanction in the event of withdrawals being made.

It was understood from the social worker that repeated efforts had been made by her to have the employer open a bank account for this patient. The social worker further stated that any cash accumulating from the patient's wages was kept in the employer's safe for safekeeping.

WESTBOROUGH STATE HOSPITAL

Adjustments Made in Stock Ledgers: Attention was called to charge-offs as appearing on the adjustment requisitions in certain meat accounts which are carried on the institution's stock ledgers.

Receiving Records: It was learned that the institution's storekeeper does not receive all the meats and other commodities which are delivered by the various vendors to the institution.

Stock Ledger Adjustments: Attention was called to what appears to be ex-orbitant adjustments in the lobster and canned blueberries accounts.

Sales of Grease: The grease sales for the period of audit were analyzed and a wide variation in sales of rendered grease in the months concerned was noted.

Attention was also called to the fact that a great amount of grease was charged off under the heading of trimmings.

It was further noted that six bushels of freshly harvested Swiss chard was in the process of being sent to the institution's piggery. When the institution

authorities attention was called to the situation, it was ordered back to the kitchen.

Farm Records: Because a corrected copy of the farm report for the 1944 year was not available, farm accounts were not audited for that year.

Patient's Accounts: An examination of securities and negotiable instruments belonging to patients indicated that there were several checks, some of which date back several years, which have not been endorsed by the patient and consequently have not been honored for payment. There are also several savings bankbooks belonging to patients which have not been verified within recent years.

Canteen Accounts: A complete physical inventory of merchandise available for sale in the canteen was taken on May 21, 1945 and compared with the book inventory. After taking into consideration certain necessary adjustments, it was noted that there was a discrepancy of \$3,178.70 between the physical and book inventory, this amount representing a shortage.

WORCESTER STATE HOSPITAL

Laboratory Tests: The question was raised as to whether this institution's laboratory personnel were conducting laboratory tests for private hospitals and other parties not connected with the Commonwealth and whether or not invoices were rendered for such services.

Family Maintenance: Attention was drawn to the fact that two individuals employed by and paid from private funds were receiving full maintenance without any record of approval from the Division of Personnel.

Income Due the Commonwealth: Attention was again called to the comments appearing in several previous audit reports relative to medical services rendered to persons outside the authorized beneficiaries of the hospital service.

Farm Records: Attention was drawn to certain discrepancies in the 1943 farm report.

Fuel Oil Consumption: A comparison was made between the costs of operating the main heating plant with fuel oil and with bituminous coal.

DEPARTMENT OF AGRICULTURE

GENERAL DEPARTMENT

Financial Set Up of the Department: Chapter 691 of the Acts of 1941 places the Division of Milk Control in the Department of Agriculture. Chapter 340 of the Acts of 1934 also placed the Division of Livestock Disease Control in the Department of Agriculture. In connection with these transfers it was recommended that the Commission on Administration and Finance make a study of the financial set up of the Department of Agriculture and its divisions for the purpose of enacting legislation if necessary in order to consolidate the financial control under one head.

Certificates of Registration for Dairy Farms: Frequently certificates of registration for dairy farms for which a fee of 50 cents is payable cannot be issued immediately upon receipt of fee and often there are a great number of pending applications for which the fee has been received and entered in the cash book but for which no certificate has been issued, and it was suggested that the Comptroller's Bureau be requested to provide a general ledger control account for these pending items together with the regular monthly reconciliations.

DIVISION OF MILK CONTROL

The Board Has Refused to Make Certain Records Available for Auditing Purposes: On January 16, 1945 a request for certain records was made to the assistant Director of the Division of Milk Control. The Assistant Director stated that he would contact the members of the Milk Control Board relative to the requested records.

On January 17, 1945, on request of the Chairman of the Milk Control Board, a conference was held in the office of the Chairman of the Board. Present at this conference were the Chairman of the Board, the Senior Milk Control Enforcement Officer of the Division of Milk Control and a representative of

the Department of the State Auditor. At this conference it was requested that the following data be made available for auditing purposes:

1. A detail list of the 551 milk dealers who owe producers \$280,829.81 in underpayments as was stated in the investigation report of the Commission on Administration and Finance under date of January 12, 1944.
2. A revised and more recent detailed list of dealers who owe monies to producers which list was prepared by the Control Board.
3. Permission to have access to the so-called Milk Dealers' Audit Ledger.
4. A list of audits which were assigned to a firm of certified public accountants.

In connection with the first request, it was stated by the Chairman of the Board that he did not recall ever having received a detailed list. The Senior Milk Control Enforcement Officer also stated that he did not recall ever receiving such a list and also stated that if such a list were in the possession of the Board that it would not be made available for audit.

In connection with the other information requested, it was definitely stated that it would not be made available in connection with the current audit.

In further connection with the Board's refusal to make available these necessary records for auditing purposes the following letter to the Milk Control Board was written:

COPY

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF THE AUDITOR
STATE HOUSE, BOSTON.

January 19, 1945.

MILK CONTROL BOARD
209 WASHINGTON STREET
BOSTON, MASSACHUSETTS

Attention: MR. LOUIS A. WEBSTER,
Acting Commissioner

Gentlemen:

It has recently been called to my attention that information and records which are necessary in order that the current audit of the accounts of the Milk Control Board may be completed, have not been made available to representatives of the Department of the State Auditor.

In this connection, I call your attention to Section 12 of Chapter 11 of the Tercentenary Edition of the General Laws, which states:

"The department of the state auditor shall annually make a careful audit of the accounts of all departments, offices, commissions, institutions and activities of the commonwealth, including those of the income tax division of the department of corporations and taxation, and for said purpose the authorized officers and employees of said department of the state auditor shall have access to such accounts at reasonable times and said department may require the production of books, documents and vouchers, within the scope of such audit."

Will you kindly arrange, at your earliest convenience, to furnish to James W. Nawn, who is currently engaged in making an audit of the accounts of the Milk Control Board, the following information:

1. A detail list of the milk dealers who owe \$280,829.81 to producers which sum of \$280,829.81 as shown on page 5, paragraph 5 of the report submitted to His Excellency, Leverett Saltonstall, Governor of the Commonwealth by the Commission on Administration and Finance, under date of January 12, 1944.

2. A revised and more recent detail list of dealers who owe monies to producers which was prepared by the Milk Control Board.
3. Permission for the writer to have access to the so-called "Milk Dealers Audit Ledger". Note: This ledger sets forth the dates of the audits made of dealers' records, to overpayments made to producers, the underpayments made to producers, the balance of either over or underpayments as well as the status of the dealers' accounts.
4. A list of audits which were assigned to the Charles F. Rittenhouse Co., Certified Public Accountants, Boston, Mass.

Very truly yours,
s/THOMAS J. BUCKLEY,
Auditor

MG

No written answer to the foregoing letter has been received to February 2, 1945, yet the Board has met subsequent to receiving the foregoing letter and has obviously had ample time in which to reply.

In view of the fact that the Milk Control Board has apparently seen fit not to make available for auditing purposes these records, the references which relate to them follow. These were taken verbatim from the report of a special examination relative to the management and finances of the Milk Control Board which was made by the Commission on Administration and Finance of which a report was issued under date of January 12, 1944.

These references are shown simply to indicate the type of information which has been withheld from the Department of the State Auditor.

Excerpt from Paragraph 5 — Page 5:

"Insofar as the Board's records are of any value as of the period of this investigation, the 551 milk dealers of Massachusetts owe producers \$280,829.81 in underpayments and, as of the date of their last audit were in arrears to their producers in the amount of \$256,697.45."

Excerpt from Paragraph 7 — Page 6:

"Thirty one audits assigned prior to November 1, 1943 were not completed as of December 13, 1943. Of the 551 dealers for whom there were cards in the file 45 had not been audited since 1941, 59 had not been audited in 1942, 179 had no audit since the first six months of 1943, and 189 were audited since June 30, 1943. Less than 35% of the dealers had been audited within six months. In the case of 67 dealers there were no entries in the cards."

Excerpt from Paragraph 5 — Page 6:

"Record cards were found which were incomplete, not capable of reasonable interpretation and some which were in blank, except for the dealers' name. Those incomplete represented, usually, audits which had been completed except for figuring the dealers obligations to the producers, this being held up because of reference of unusual computations to the director who had delayed decision, sometimes for as long as two years."

Excerpt from Paragraph 1 — Page 7:

"The Commission has prepared a detailed record of the status of dealer audits which accompanies this report. It will be noticed that there was no record of some large dealers. No previous compilation of this record was ever made."

Excerpt from Paragraph 4 — Page 7:

"The Commission found that underpayments in excess of \$14,000.00 were "washed out" in the audit of one dealer, but that the auditor—one of those with the longest experience with the Board was not informed. When the records for the elimination of underpayments was brought to

the attention of the auditor by this Commission he cited sections of the orders and the statutes to justify his original findings."

Excerpt from Paragraph 2 — Page 7:

"Auditors in the field and among producers daily, informed the Commission that the producers have legitimate ground for complaint because of laxness of the Board in not acting upon audit reports which show arrearages and underpayments."

Excerpt from Page 16:

"This Commission finds:

that the Milk Control Board has not, or is not now affording the milk industry of Massachusetts the full protection which the law intended; "that such enforcement as has been conducted has been inequitable and inefficient;

"that there is a definite and indisputable lack of administrative control of the staff and its operations;

"that its records are so poorly kept as to prevent any intelligent interpretation of the producer-dealer relationship at any time."

"The Commission is fully aware of the importance of an adequate supervision of Milk Industry and the reluctance with which many in the industry look toward the assumption of such control by federal agencies which now provide regulation in a substantial portion of the State.

"Unless there be a prompt reorganization of the present State Agency, this federal control will offer a logical solution of the milk problem in the critical days ahead."

The Accuracy of the Monthly Assessment Reports Have Not Been Verified: The Board's refusal to make available certain books and records for examination has precluded a proper verification of the accuracy of the monthly assessment reports.

Unpaid Estimated Assessments Due the Commonwealth Amount to \$54,936.00 on December 31, 1944: The following schedule which was compiled from assessment records shows the unpaid estimated amount of assessments due the Commonwealth as of December 31, 1944:

ESTIMATED UNPAID ASSESSMENTS
December 31, 1944

	Area	Number of Dealers	Estimated Amount Owed	Total
Owing from 2 to 9 years	17	7	\$43,171.00	
	14-17	1	330.00	\$43,501.00
Owing from 5 months to 1 year	1	10	\$ 181.00	
	2	2	41.00	
	3	—	—	
	4	1	23.00	
	5	5	104.00	
	6	4	140.00	
	7	12	453.00	
	8	2	36.00	
	9	8	191.00	
	10	8	291.00	
	11	17	553.00	
	12	1	55.00	
	13	5	104.00	
	14	7	266.00	
	15	4	45.00	
	16	1	30.00	
	17	8	369.00	
	18	1	15.00	
	19	1	63.00	
	Various	86	4,614.00	7,574.00
Owing from 1 to 4 months:				
	Various	33	\$ 550.00	
	Various	66	701.00	
	Various	89	1,115.00	
	Various	223	1,495.00	3,861.00
		602		\$54,936.00

From an examination of the detail it appears that the Commonwealth has sustained a substantial loss because of the failure to collect the amounts due. An examination of the detail showed that in almost every instance the dealers who are delinquent in paying their assessments are still in business and are apparently operating under a milk dealer's license. Attention was drawn to the fact that the Board has sufficient authority under existing statutes to collect assessments as well as to refuse to grant licenses.

It was also noted that one of the State's largest dealers, the account of whom is included as delinquent, has one substantial assessment from two to nine years in arrears and has not filed any monthly assessment reports for the past seven months. It was further noted that this dealer has charged and collected assessments on sales of milk to other dealers but has failed to file recent monthly assessment reports and pay the Commonwealth amounts due. In connection with the auditing of this dealer's accounts, it is of interest to note that while a firm of certified public accountants has recently been engaged to audit certain dealers' accounts that this particular dealer was not among those who were audited by this concern.

Records of Assessments Due the Commonwealth: All licensed producer-dealers who sell more than fifty quarts of milk per day are obliged to file monthly assessment reports and pay the assessments due. This payment is based on the amount of milk handled. The assessment section of the Division maintains a ledger record which shows only the assessments actually paid. The Division apparently has never insisted on the monthly filing of assessment reports, therefore, no record of the amount of assessments due the Commonwealth is available.

Collateral under Bonding Law: Several instances are cited showing that the amount of collateral deposited by milk dealers is not sufficient to take care of outside producers claims. Because of this, the producers are not adequately protected against loss.

Services of a Certified Public Accounting Firm Engaged: The following shows payments made to a firm of Certified Public Accountants for services rendered in connection with audits of certain milk dealers' records since April 1944:

Month	Amount
April 1944	\$ 1,136.98
May 1944	2,971.46
June 1944	4,566.43
July 1944	1,774.79
September 1944	1,050.34
November 1944	2,725.47
December 1944	— *
	<hr/> \$14,225.47

* Invoice not as yet rendered.

In connection with the engagement of the services of this concern it is understood that its services were found to be necessary because the Division's auditing section was from 1 to 2 years tardy in their audits of milk dealers' records. While there is no written authorization to engage the services of this firm it is understood that verbal permission was given by the Budget Commissioner.

In connection with the engagement of the services of this firm of Certified Public Accountants the following excerpt is shown from the report of this division's activities prepared by the Commission on Administration and Finance:

"During the inquiry various employees of the Milk Control Board have given varying characterizations of this dealer's action such as, "concealing records", "true facts not revealed", "probably gyping on

surplus". The public accountants' report indicated that where the dealer showed sales of \$318,285.00 for a specified period, the actual sales were probably \$380,000.00. There is no record indicating any action on the part of the Board as the result of this audit."

Cash Collections A/C Income Exceed the Division's Maintenance Cost for Past Five Fiscal Periods: The following schedule which was compiled from the Division's financial records shows a comparison of cash collections on account of income with the Division's maintenance costs:

COMPARATIVE STATEMENT OF CASH COLLECTIONS ON ACCOUNT
OF INCOME WITH DIVISION'S MAINTENANCE COSTS

FIVE FISCAL PERIODS ENDING JUNE 30, 1945

	1940	1941	1942	1943*	1944	Total
Cash Receipts						
Account of						
Income	\$152,730.41	\$152,036.37	\$188,577.70	\$130,115.11	\$184,447.35	\$807,906.94
Maintenance Cost	142,782.80	154,064.99	159,706.51	90,852.62	179,553.12	726,960.04
Excess of Income						
Over Expenses	\$ 9,947.61	(\$2,028.62)	\$ 28,871.19	\$ 39,262.49	\$ 4,894.23	\$ 80,946.90

* The 1943 fiscal period started December 1, 1942 and ended June 30, 1943.

Reduction Made in Assessment Rate: Official order No. G-006 dated December 26, 1944 and effective on January 1, 1945 sets forth a substantial reduction in the assessment rates as follows:

The assessment rate in all areas except 17, 18 and 19 has been reduced from two cents per hundred weight on milk and cream to one cent per hundred weight on milk and cream.

In areas 17, 18 and 19 the assessment rate has been reduced from \$.0135 cents per hundred weight on milk and cream to \$.0068 cents per hundred weight.

These new assessment rates are effective for the first five calendar months of the 1945 calendar year and at the end of that period revert back to those which were effective prior to January 1945.

DEPARTMENT OF CONSERVATION

Accounts Receivable Record: It was again recommended that an accounts receivable ledger be added to the books and records of the department.

Stores Account: It was also recommended that a controlling account be set up in the general ledger for the unissued supplies kept in the department's storehouse in Stow.

Use of Sales Books: It was recommended that the regular form triplicate sales books should be used for recording sales of pamphlets, game tags, etc., for which no serially printed numbered form has been provided as yet.

Sales of Lumber and Wood Products: It was suggested that serially numbered receipts should be used for the sale of lumber and wood products.

Pay Roll Time Records: It was recommended that time books be kept by supervisors in charge of persons employed and paid directly by the department.

Binocular Viewing Machines and Coin Lock Privileges: A binocular viewing machine concession and coin lock privileges concession have been held by the same two companies for several years and are based on terms agreed upon several years ago. It was suggested that bids be obtained and if this is impossible that agreements be made covering current periods.

Division of Fish and Game: Several instances were noted of variances in checking income from the sales of fishing and game licenses.

Dealers' Shellfish Certificates: It was recommended that the standard type of sales receipt books should be used for sales of lobster gauges, clam rings, etc.

Division of Wildlife Research and Management: Chapter 370, Acts of 1943, Item 1002-54 authorizes the Comptroller to establish on the books of the Commonwealth an account to record the excess, if any, of the aggregate amount of money received by the Division of Fisheries and Game and the Division of Wild-

life Research and Management in the Department of Conservation during the period beginning December 1, 1942 and ending June 30, 1945, from license fees, fines and other sources, over the aggregate amount expended by or on account of the said divisions during the same period. The amount so recorded shall be available for appropriations for expenditure by or on account of the said divisions during the next fiscal year.

This account was not established on the books of the Commonwealth up to the time of this audit.

DEPARTMENT OF PUBLIC SAFETY

Cashier's Advance: It was noted that on a few occasions refunds of receipt books were used as means of reimbursing the advance fund for moneys taken from this fund to cover receipts vouchers on which fees had been paid by checks which were later found to be of no value, and it was recommended that in the future adjustments be made by journal entry and that funds belonging to the advance money should not be used for this purpose.

Sales Books: Several instances were noted where sales of Boiler Rule Books were not promptly reported to the offices of this department.

DEPARTMENT OF LABOR AND INDUSTRIES

GENERAL DEPARTMENT

Advance Money: It was suggested that all payments of advance money be recorded either in the main office cash book or in the cash books in the several divisions.

Division on the Necessaries of Life: It was suggested that the Comptroller's Bureau be requested to provide some arrangement so that pending items may be entered in the cash book.

Weekly Payment of Wages: The Division of Industrial Safety in accordance with General Laws, Tercentenary Edition, Chapter 149, Section 148, receives and investigates complaints against employers who violate the laws governing the weekly payment of wages. While the department has no right other than to bring criminal proceedings in the courts against the employers, from time to time the division is called upon to act as a medium through which payments from employers to employees may pass. It is understood that funds received in this manner are generally either checks or money orders, that no currency is accepted except very rarely when the employer insists on paying in currency, and the check or money order must be made payable to the employee. There is no cash book record of such funds passing through the division, and it is again suggested that the Comptroller's Bureau be requested to review this matter and provide for a cash book record.

DEPARTMENT OF INDUSTRIAL ACCIDENTS

Appropriations for Public Employees Compensated for Injuries: For the payment of compensation and medical treatment of certain public employees for injuries sustained in the course of their employment there was appropriated for 1944 in the unclassified accounts and claim section of the budget, the sum of \$50,000.00. This appropriation takes the place of Workmen's Compensation Insurance for the particular class.

Under the present bookkeeping set up in this department it is possible to have the bills in several places within the department or in the hands of certain institution or department heads. It is recommended that the Comptroller's Bureau be requested to provide facilities so that it will be possible at the end of the year to be able to identify the actual encumbrance.

Impartial Examinations: A difference of \$76.00 was noted in taking the trial balance of the individual detailed ledger accounts on the date of audit. This difference could not be identified.

Cash Book Postings: It was recommended that cash receipts be posted daily to the cash book and that deposits with the State Treasurer be made more currently than is the present practice.

DEPARTMENT OF PUBLIC UTILITIES

Boston Elevated—Declaratory Judgment: Resolve 89 of the Resolves of 1941 provides:

"Resolved, That the department of public utilities, under the direction of the attorney general, may expend, for the purpose of bringing a proceeding at law or in equity seeking a declaratory judgment, order or decree interpreting the provisions of chapter one hundred and fifty-nine of the Special Acts of nineteen hundred and eighteen, as amended, pertinent to the authority of the board of trustees of the Boston Elevated Railway Company to make certain charges to the cost of services and their accounting duties incidental to such charges, or such other proceeding at law or in equity as said department and the attorney general deem advisable for the purpose of having a judicial determination of the powers and duties of said trustees under said chapter or otherwise, sums not exceeding, in the aggregate, seventy-five thousand dollars, which sum is hereby appropriated from the general fund or revenue of the commonwealth, and sums so expended shall be assessed upon the cities and towns in which the company operated in the year nineteen hundred and forty, in the same proportion and in the same manner in which the deficiency paid by the commonwealth to said company was assessed upon them in said years. The supreme judicial court and the superior court shall have concurrent jurisdiction of any proceeding brought under authority of this resolve."

Expenditures under this resolve for legal services, etc., have been as follows:

1941	\$ 1,311.36	
1942	15,490.98	
1943	5,124.08	
1944	3,645.67	
	<u>\$25,572.09</u>	
Original appropriation		<u>\$75,000.00</u>
Disbursements	\$25,572.09	
Reverted October 1943	28,073.58	
Balance June 30, 1944	21,354.33	<u>\$75,000.00</u>

Item 2320-01 of Chapter 370 of the Acts of 1943 reappropriated \$25,000.00.

The following memorandum was furnished by Joseph K. Collins, Assistant Attorney General, and is a brief resume of the history of the Boston Elevated Litigation:

"The Resolve was approved on October 27, 1941

On January 26, 1942 the Attorney General filed an Information in Equity in the Supreme Judicial Court. That Court referred the case to the Superior Court where the Company demurred and the Trustees answered.

On the invitation of the Attorney General the Corporation Counsel of the City of Boston, through Assistant Corporation Counsel James W. Kelleher, co-author of the Finance Commission Report which gave rise to these proceedings, collaborated with the Attorney General's staff and the City intervened in the case after the completion of pleadings to the Amended Information.

On February 2, 1942 a suit was instituted under the so-called Taxpayers' statute, G. L. (Ter. Ed.) c. 29, s. 23, seeking to restrain the Treasurer and Receiver General from paying the alleged deficiencies for the 12 months ending March 31, 1941, and the 9 months ending December 31, 1941. In this suit also the Company demurred and at the request of counsel for the Taxpayers, the hearing on the demurrer to the Information in Equity was postponed by the Court until it could be had at the same time as the hearing on the demurrer to the Taxpayers' petition. The hearings were completed on November 23, 1942. In addition to extensive oral arguments, briefs were filed by the Commonwealth, the City and the Company."

"The Judge of the Superior Court who heard the case reserved his decision and on June 9, 1944 entered an Interlocutory Decree overruling the Company's demurrer to the Information in Equity and ordered the case reported to the Supreme Court. His report was filed on June 28, 1944 and upon preparation of papers by the Clerk's Office, the case was entered in the Supreme Judicial Court on September 21, 1944."

DEPARTMENT OF BANKING AND INSURANCE

Accounts Receivable: It was recommended that unpaid accounts should be reported on a control accounts receivable maintained in the general ledger for this purpose.

DEPARTMENT OF CORRECTION

MASSACHUSETTS REFORMATORY

Accounts Receivable—Maintenance: Attention was drawn to a great deal of delinquency in the payment of rents of state owned houses occupied by employees of this institution.

Farm: Attention was called to many institutions where the farm records have not been handled properly.

Slaughtering of Cows: Attention was drawn to the methods used in handling slaughtering records of cows and suggestions were offered so that these transactions might be handled consistent with accepted accounting routines.

Canteen Accounts: It was noted that the canteen cash book was not properly closed each month and it was also noted that war bonds purchased were charged to the so-called "benefits" account. A difference of \$552.08 between the book inventory and the actual physical inventory was also noted.

Industries: It was suggested that the auto and printing industries be transferred to trade school projects. Attention was drawn to certain items which are being sold under their cost prices.

Heat, Light and Power Charges: It was noted that no action has been taken recently regarding previous audit recommendations that a survey be made to determine whether the allocation of charges from maintenance to industries is proper.

REFORMATORY FOR WOMEN

Farm Reports: Several variances were noted in the compilation of the annual 1943 farm report.

Poultry Industry: There is still no provision for including in the accounts the value of live poultry on hand, consequently the gain or loss shown does not include any gain or loss resulting from the increase or decrease in the inventory of live poultry.

STATE FARM

Patients' Bankbooks: It was again suggested that proper steps be taken to dispose of the bankbook belonging to a former patient who died January 27, 1939, on which there is a balance of \$97.19. It was further noted that there were

several patients' bankbooks on hand that had not been verified for several years.

Attention was again called to a bankbook on a bank in Italy on which there was a balance of 5,999 lire.

Inmates' Accounts: The cash has been either over or short on the opening day of the past several audits. An overage of \$12.57 was noted on the date of the current audit.

STATE PRISON

Cash and Postal Savings Certificates Found in Safe: Cash in old bills totaling \$35.00, Postal Savings Certificates with a total face value of \$200.00, and \$12.13 in currency were found in the safe, efforts not being made to locate the former inmates believed to be the owners of these items.

Accounts Receivable: All sales whether paid for immediately or not should be passed through the accounts receivable account in the general ledger.

Maintenance Stores: Several instances were noted of changes necessary for the proper handling of the stock ledger accounts and steps were suggested to eliminate these conditions.

Cash Received from Miscellaneous Sales: It was noted that cash collected from sales to prison officers and employees is not deposited when received but is held for use in paying petty cash expenditures for the industries. All cash collections from sales should be deposited in the form in which it is received.

Industries Accounts Receivable: Attention was drawn to the amount owed by the State Department of Public Works since 1942, and it was suggested that steps be taken to clear this balance.

Suspense Accounts Receivable: It was suggested that a duplicate list of all accounts and balances appearing in the Suspense Accounts receivable be sent to the Attorney General with the request that some disposition be made of them.

Industries—Heat, Light and Power: It was again recommended that the basis of this charge which has been in effect for several years be reviewed by a competent engineer as the original industries are no longer connected with this institution.

Industries—Reserve for Inventory Adjustment: Attention was called to this account which shows a credit balance of \$45,311.86 on June 30, 1944, and which balance has been in the account unchanged since November 30, 1935. It was again suggested that the department secure legislation to properly dispose of this reserve.

Inmates' Trustee Account No. 1: The previous audit report showed a balance of \$5,521.39 in the closed Charlestown Trust Company. This amount represented the final loss of inmates' personal funds deposited in this closed bank.

The loss was cleared on the institution records by applying interest of \$3,513.95 and surplus of \$1,255.76 against the loss. The deficiency balance of \$751.68 was charged to the \$3,282.08 balance of the advance from the Governor's Extraordinary Fund as shown by the institution's books. The balance of \$2,530.40 in the Governor's Extraordinary Fund was returned to the State Treasurer.

Inmates' Personal Fund Account of Cash: It was noted that of the monies received for deposit to the inmates' personal fund book account only checks and money orders are deposited when received, cash being held and deposited only when a sizable amount has accumulated. The reason given for such a procedure is that it is necessary to have sufficient cash on hand to cash the checks drawn to inmates who are either going out on parole or being released from the institution. It is believed that all monies received for inmates should be deposited when received, and that other arrangements should be made to have cash on hand for use in cashing the checks drawn to inmates who are being paroled or released.

Inmates' Personal Fund Cash Book: Recommendations were made relative to posting and handling these accounts, the adoption of which it is believed will save a great deal of duplication of work which is now prevalent.

Inmates' Wage Account—Loss from Closing of Charlestown Trust Company: The previous audit report showed a balance of \$15,510.92 which represented the final loss of inmates' wage funds deposited in the closed Charlestown Trust Company.

An account has been set up on the Comptroller's records for \$15,510.92, which amount was credited by the State Treasurer upon receipt of a proof of claim on the closed Charlestown Trust Company. It is understood that this amount has been set up to care for payments from this account until an appropriation is received to cover this loss.

The balance in the Inmates' Wage Account on July 26, 1944 was \$12,473.42. This balance was represented by an amount of \$198.79 cash in bank and \$12,274.63 credit in the account with the State Treasurer. The present method of payment to inmates discharged or released, or payment to other institutions upon transfer of inmates is cumbersome and is not in keeping with good accounting procedure. It is recommended that the Comptroller be requested to change the present procedure in order to facilitate payments from this fund.

Inmates' Wages: It was noted that no distribution of excess profits was made to inmates during the period covered by this audit.

METROPOLITAN DISTRICT COMMISSION

Contracts: It was noted that two P. W. A. contracts dated 1936 in the Sewerage Division have not been paid for in their entirety and it is understood that the contractor had filed suit for payment sometime in 1940.

Materials and Supplies Control Account: There was no inventory control account carried in the general ledger for materials and supplies in the storage yards and it was again suggested that the Comptroller's Bureau be requested to provide such an account.

METROPOLITAN DISTRICT WATER SUPPLY COMMISSION

Unrecorded Assets of Certain Towns which have been Abolished: Attention was again called to the fact that no final inventory record had been set up of the assets of certain towns which have been abolished.

Trust Funds in the Custody of the Commission: In the possession of the Commission are certain bankbooks which are evidence of trust funds left for various purposes and which were formerly in the possession of the town officers of the former towns of Dana, Enfield, Greenwich and Prescott. The amount of these bank deposits on January 26, 1945 totaled \$7,207.19, including interest of \$36.90 which had not been credited on the pass books as of that date. As these accounts had originally been given for various public purposes the office of the Attorney General upon request of the Commission has advised that each trust fund will have to be subject to individual court procedure to determine its final disposition. The Attorney General's letter to that effect has been incorporated in previous audit reports and is, therefore, not quoted again.

It was noted that this fund consists of cemetery funds amounting to \$25,431.19 and various other funds totaling \$4,664.00. It is understood that the Attorney General is now taking steps to determine the final disposition of all these individual funds.

Accounts Receivable: It was noted that charges made for sales are not included in the accounts receivable accounts until payment is received.

SERGEANT-AT-ARMS

Cash Books in Use: In connection with the reconciliation of cash it was noted that the cash book shows only transactions in receipts account of income and that four other books are kept of the receipts and disbursements on account of advance money. It is again recommended that the Comptroller's Bureau be requested to provide a single cash book for the entry of all items of receipts and disbursements.

Bonds: It was noted that no one in the office is bonded.

